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Military Market

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Auto Aftermarket

Old Cars Fuel New Sales

page 22

Canned Fruits and Vegetables - Page 16

ALA Convention - Page 33

Fulda PX - Page 36

Fresh Meat - Page 40

Vol. 34 No. 11 MILITARY MARKET MAGAZINE NOVEMBER 1983

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Military Market serving the military retail system

NOVEMBER 1983/VOLUME 34/NO. 11
Army Times Publishing Company

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coming

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January: Buyers Guide, commanders' outlooks for '84
February: Frozen Foods Part 1, Audio, VCS
March: H&BA, Housewares, Navy Exchanges

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Military Market

survey

Auto Accessories Enjoy Steady Growth:

Shop Managers Ring Up Strong Sales

AUTOMOTIVE ACCESSORIES' sales are steadily growing, and exchange automotive shop managers are finding they must accommodate more patron requests for these items. A majority of 20 auto shop managers also said in this month's telephone survey that they are making special efforts to attract do-it-yourself mechanics into their stores by using special displays and carefully thought-out merchandising techniques.

While tune up parts lead the list of top-selling items, oil and oil change accessories, and such car care products as waxes, body repair kits and protectants are also helping to fuel the surge in this category. Tire sales are reported to be on the rise, and gasoline sales in the military are closely following the rising consumption pattern of their civilian counterparts.

Gasoline sales may be increasing, but exchange automotive shop managers are evenly divided about whether the prices offered to the military patron are always the cheapest. One manager tells MILITARY MARKET, "The exchange prices are usually about the same as those at any economy gas store in town; the only place the patron realizes any real savings is in the small wayside towns where gasoline is usually more expensive than in the urban areas."

However, virtually all managers surveyed agreed the military patron was saving money in automotive repairs. Seventeen of the 20 exchange automotive shop managers surveyed say they felt that the exchange automotive shop is saving military customers 20 percent or more for all major repairs, and 10 percent or more on all auto parts. "Considering that the going rate for labor charges in this area is $35 an hour outside the gates, I'd say the soldier was getting a pretty good deal on repairs when we charge $15 an hour for labor here on base," says one exchange auto shop manager.

Several managers feel that civilian auto shops often have more modern facilities and better equipment than the military offers its patrons. Several managers lamented the lack of electronic tune-up equipment and diagnostic machines in their stations. "With an alignment machine and a diagnostic analyzer for tune-ups, I could do between 10-16 cars per day, compared to the four to six cars I can service now," one manager tells MILITARY MARKET.

The supply line for replacement parts appears to be a smooth and timely operation for most exchange auto shops. A vast majority of shops say they can find all of the replacement parts they need for most of their repairs within one or two days, and several are able to procure parts the same day. Each auto shop surveyed has worked out arrangements specific to its location to get the parts it needs in a timely manner. "We work daily with four or five major parts houses to get the parts we need in this area because it's just impossible to stock every conceivable part for all the cars on the road today."

One auto shop man, at a location almost 150 miles in any direction from the nearest major city, says, "People at this post are heavy do-it-yourselfers because they have to be. When we get repairs, it's usually of the major kind. Sometimes we, as well as the owners, just have to be patient to get the parts needed."

MM

1 — **WHAT IS THE SALES GROWTH FOR AUTO ACCESSORIES AND CAR CARE PRODUCTS IN YOUR STORE?** Growing quickly — 4. Average growth — 13. Stagnating — 2. Declining — 1.

2 — **WHAT ARE THE FASTEST GROWING CATEGORIES WITHIN YOUR AUTOMOTIVE STORE.** Tune up parts — 6. Waxes and car care products — 6. Oil and oil accessories — 4. Body putty and filler — 4.

3 — **ARE TIRE SALES INCREASING, DECREASING OR ABOUT THE SAME AS LAST YEAR?** Increasing — 12. Decreasing — 1. About the same — 7.

4 — **ARE GAS SALES INCREASING OR DECREASING AT YOUR STORE?** Increasing — 12. Decreasing — 3. About the same — 5.

5 — **DO YOUR PATRONS COMPLAIN ABOUT THE PRICES THEY PAY AT EXCHANGE FACILITIES FOR GASOLINE?** Yes — 7. No — 13. **DO YOU THINK THE PATRON IS SAVING ANY MONEY BY PURCHASING GASOLINE FROM THE EXCHANGE?** Yes — 9. No — 5. About the same prices — 6.

6 — **WHAT PRICE ADVANTAGE DOES YOUR STORE OFFER OVER CIVILIAN STORES FOR AUTOMOTIVE PARTS AND ACCESSORIES?** 0%-5% — 0. 5%-10% — 0. 10%-15% — 4. 15%-20% — 7. 20% or more — 9. **FOR AUTOMOTIVE REPAIRS?** 0-5% — 0. 5-10% — 0. 10-15% — 3. 15-20% — 0. 20% or more — 17.

7 — **ARE YOUR PRESENT FACILITIES ADEQUATE TO HANDLE CUSTOMER DEMAND?** Yes — 10. No — 10. **WHAT FACILITIES CHANGES WOULD YOU RECOMMEND?** More modern equipment — 9. Better vendor support — 4. New pumps and facilties — 7. More manpower — 5.*

8 — **ARE YOU SATISFIED WITH THE SUPPLY LINE FOR REPLACEMENT PARTS FOR AUTOMOTIVE REPAIRS?** Yes — 16. No, could be better — 4. **HOW LONG DOES IT USUALLY TAKE FOR AUTOMOTIVE REPLACEMENT PARTS TO GET TO YOUR STORE?** Same day — 10. 1-2 days — 8. 2-3 days — 2.

9 — **WHAT ARE YOU DOING SPECIAL IN YOUR STORE TO ATTRACT THE DO-IT-YOURSELF MECHANIC?** Special displays — 6. DIY manuals — 4. Seminars/lectures at the hobby shop — 4. Seasonal displays — 7. *

10 — **ARE THE SALES AND MERCHANDISING MATERIALS YOU GET FROM HEADQUARTERS HELPFUL?** Very helpful — 8. Somewhat helpful — 8. Not very helpful — 1. "What materials?" — 3.

* Adds to more than 20 because of multiple responses.

Military Market Index

Commissaries

		JULY CY'83	JULY CY'82	JULY %CHANGE	YEAR-TO-DATE CY'83	YEAR-TO-DATE CY'82	YEAR-TO-DATE %CHANGE
Air Force	CONUS	$145,382	$147,823	-1.65	$1,019,500	$962,390	+5.93
	OVERSEAS	29,860	30,726	-2.82	204,026	192,693	+5.88
	TOTAL	**175,242**	**178,549**	**-1.85**	**1,223,526**	**1,155,083**	**+5.93**
Army	CONUS	108,570	106,184	+2.25	727,742	698,464	+4.19
	OVERSEAS	33,285	31,304	+6.33	233,059	210,184	+10.88
	TOTAL	**141,855**	**137,488**	**+3.18**	**960,801**	**908,648**	**+5.74**
Navy	CONUS	50,292	54,412	-7.57	380,471	358,109	+6.24
	OVERSEAS	5,906	6,419	-7.99	43,608	42,057	+3.69
	TOTAL	**56,198**	**60,831**	**-7.62**	**424,079**	**400,166**	**+5.98**
Marines	CONUS	11,775	11,654	+1.04	79,588	76,613	+3.88
	OVERSEAS	210	188	+11.70	1,341	1,241	+8.06
	TOTAL	**11,985**	**11,842**	**+1.21**	**80,929**	**77,854**	**+3.95**
Coast Guard	CONUS	321	339	-5.31	1,943	2,007	-3.19
	OVERSEAS	142	143	-0.70	1,169	1,243	-5.95
	TOTAL	**463**	**482**	**-3.94**	**3,112**	**3,250**	**-4.25**
All Commissaries	CONUS	316,340	320,412	-1.27	2,209,244	2,097,583	+5.32
	OVERSEAS	69,403	68,780	+0.91	483,203	447,418	+8.00
	TOTAL	**$385,743**	**$389,192**	**-0.89**	**$2,692,447**	**$2,545,001**	**+5.79**
Grocery Stores	U.S.[1]	**$21.909 bil.**	**$21.228 bil.**	**+3.21**	**$141.242 bil.**	**$135.647 bil.**	**+4.12**

Exchanges

		JULY CY'83	JULY CY'82	JULY %CHANGE	YEAR-TO-DATE CY'83	YEAR-TO-DATE CY'82	YEAR-TO-DATE %CHANGE
AAFES	CONUS	$232,120	$225,197	+3.07	$1,561,190	$1,498,905	+4.16
	OVERSEAS	149,644	146,051	+2.46	1,063,700	1,020,054	+4.28
	TOTAL	**381,764**	**371,248**	**+2.83**	**2,624,890**	**2,518,959**	**+4.21**
Navy	CONUS[2]	81,967	79,079	+3.65	575,851	569,720	+1.08
	OVERSEAS[2]	34,681	32,686	+6.10	247,183	234,904	+5.23
	TOTAL[2]	**116,648**	**111,765**	**+4.37**	**823,034**	**804,624**	**+2.29**
Marines	CONUS	27,977	28,268	-1.03	190,354	190,332	+0.01
	OVERSEAS	4,626	4,587	+0.85	33,318	32,166	+3.58
	TOTAL	**32,603**	**32,855**	**-0.77**	**223,672**	**222,498**	**+0.53**
Coast Guard	CONUS[3]	6,073	5,840	+3.99	41,298	40,999	+0.73
	OVERSEAS[3]	828	651	+27.19	5,631	4,571	+23.19
	TOTAL[3]	**6,901**	**6,491**	**+6.32**	**46,929**	**45,570**	**+2.98**
Mail Order	CONUS[4]	971	891	+8.98	8,164	7,181	+13.69
	OVERSEAS[4]	3,353	3,797	-11.69	26,650	27,086	-1.61
	TOTAL[4]	**4,324**	**4,688**	**-7.76**	**34,814**	**34,267**	**+1.60**
All Exchanges	CONUS	349,108	339,275	+2.90	2,376,857	2,307,137	+3.02
	OVERSEAS	193,132	187,772	+2.85	1,376,482	1,318,781	+4.38
	TOTAL	**$542,240**	**$527,047**	**+2.88**	**$3,753,339**	**$3,625,918**	**+3.51**
Department Stores	U.S.[1]	**$8.623 bil.**	**$8.206 bil.**	**+5.08**	**$56.745 bil.**	**$53.368 bil.**	**+6.33**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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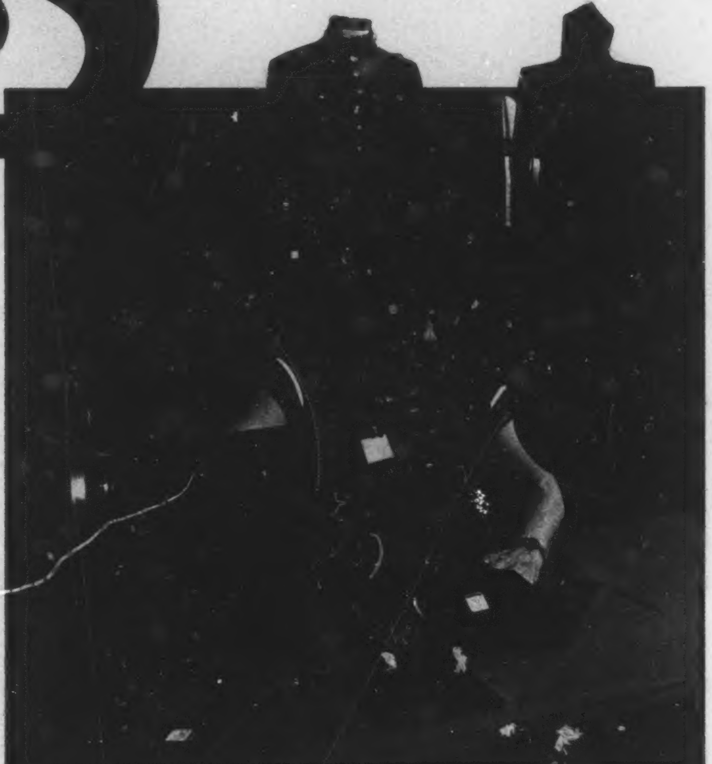
Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY DECEMBER 1983 $2.00

SEWING IT ALL UP



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Military Market serving the military retail system

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COVER PHOTO OF DPSC'S UNIFORM MANUFACTURING PLANT BY JOE MATERA
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Military Market survey

Vendor Access

They're Neither 'Criminals' nor 'Babies'

VENDOR ACCESS to exchanges continues to be an issue of prime concern to exchange managers, milrep companies and civilian vendors alike.

The consensus among 20 exchange managers (10 AAFES, six NAVRESSO and four MCEX) surveyed this month was that access by vendors plays a vital and key role in determining the merchandisng and sales formulas that help move products from their stores.

Vendor concern over this issue has been heightened in recent months; many salespeople view as restrictive and unnecessarily harsh the vendor visitation policy enforced by AAFES. The American Logistics Association is taking the position that a more open access policy for the sales representative is a necessity if AAFES is to obtain maximum benefit for its customers.

The ALA recently approached AAFES officials with a proposal to allow a three-month test within the Capitol Exchange Region to gather data and write reports about vendor servicing of the exchanges during the test period. That request for a test was denied by AAFES.

Exchange managers who were surveyed this month underscore the need for cooperation with vendors. "It's a two-way street," says one AAFES manager. "Cultivating a good relationship with the vendor pays off in more ways than one — in addition to strong sales, you might just end up with more educated store employees and more attractive displays."

The prevailing attitude expressed is that vendors are both welcome and appreciated inside the stores. "The vendors are our partners in this business. We have to work *with* them, not *against* them as much as we can," says one Navy exchange manager.

Of the exchange managers surveyed, only four — all from AAFES — feel that vendor visitation policies for exchanges are too restrictive. This did not mean the vendors are given free rein in the stores, however. "We have them scheduled on specific dates and times to come in and service their lines, take inventory, and check the stocking. Authorized vendors sign in at the desk, wear badges and are accompanied throughout the store," explains one Navy exchange manager.

Managers generally feel that vendors are doing good jobs in servicing their product lines, and have very few complaints about their actions in the stores. "These people are not criminals and they are certainly not babies, so why should I treat them that way? I have always had a good relationship with the vendors, and although I've read about a lot of problems, I've never personally experienced any in my store," says one AAFES exchange manager.

A majority of the managers feel that companies holding open purchase orders have enjoyed greater access to the stores and therefore better sales than companies whose products are distributed through a warehouse system. One Navy exchange manager remarks, "The shipments come in faster and the bottom line discount is better on an open purchase arrangement."

Managers' opinions are evenly split on the question of whether vendor visitation policies preclude their stores from having the same services available to the civilian market. Seven of the 10 AAFES managers surveyed feel that the agency's policy is adequate and does not need to be reevaluated. "We've worked within the confines of that policy, and haven't had any complaints yet. I'll support any policy that reduces inventory shrink," says one manager.

Managers from all the resale systems confirm the need to monitor and oversee the activities of vendors in the stores. One AAFES manager perhaps summed up the whole question by saying, "I think the vendor visitation policy at AAFES is consistent with what it should be. You have to have some degree of control over the people who enter your store — vendors, milreps, and customers alike. But you don't want any group to feel like they're being singled out, either."

MM

1 — WHAT CATEGORIES OF MERCHANDISE ARE PRESENTLY SERVICED IN YOUR STORE BY VENDORS? Automotive — 7. Cleaning supplies — 1. Cosmetics and fragrances — 20. Food, beverages & candy — 12. H&BA — 11. Hardware — 6. Home entertainment — 16. Housewares — 7. Linens and domestics — 2. Photography — 11. Traffic Appliances - 5. (Other): Greeting cards — 2. Magazines and books — 3.

2 — FOR WHAT CATEGORIES WOULD YOU LIKE TO BE ABLE TO GET THESE PEOPLE INTO YOUR STORES? No categories — 13. Greeting cards — 1. Magazines and books — 1. Clothing — 1. Computers & stereos — 3. Peg board merchandise — 1. Hosiery — 1. Leather goods — 1.

3 — DO VENDORS EVER PERFORM ANY OF THE FOLLOWING ACTIVITIES IN YOUR STORE? Inventory product — 19. Check or correct retail pricing — 6. Check or correct out-of-stocks — 18. Write orders — 17. Adjust inventory — 16. Move product from warehouse to display — 5. Write up defectives for return to factory — 16. Train store personnel — 15. Put on demonstrations — 17. Conduct truckload sales — 11. Print flyers — 8. Set up P-O-P displays — 16.

4 — DO YOU THINK CURRENT POLICY ON VENDORS ENTERING THE STORE IS TOO RESTRICTIVE? Yes — 4. No — 16.

5 — IF MORE VENDORS CALLED ON YOUR STORE, WOULD YOU HAVE THE TIME TO SEE THEM? Yes — 6. No — 14.

6 — WHAT ADVANTAGES WOULD COME FROM HAVING GREATER STORE ACCESS BY VENDORS? See story.

7 — WHAT DISADVANTAGES WOULD COME FROM HAVING GREATER STORE ACCESS BY VENDORS? See story.

8 — THE AMERICAN LOGISTICS ASSOCIATION HAS SAID THAT COMPANIES HOLDING OPEN PURCHASE ORDERS HAVE ENJOYED GREATER ACCESS AND THEREFORE BETTER SALES THAN COMPANIES WHOSE PRODUCTS WERE DISTRIBUTED THROUGH A WAREHOUSE SYSTEM. Agree — 12. Disagree — 3. Probably — 3. Don't know — 2.

9 — THE AMERICAN LOGISTICS ASSOCIATION HAS SAID THAT PROGRAMS, SERVICES AND SUPPORT GENERALLY AVAILABLE TO THE CIVILIAN MARKETPLACE ARE NOT AVAILABLE TO EXCHANGES AS A RESULT OF THIS POLICY. Agree — 7. Disagree — 8. Don't know — 5.

10 — DO YOU THINK CURRENT POLICY ON VENDOR ACCESS NEEDS TO BE RE-EVALUATED? Yes — 4. No — 16.

Cat Ownership Up; Dog Ownership Down

Going to the Cats

Design by Jack Auldridge/Execution by Garnett Sullivan

As the pet population increases, so does the demand for pet food and accessories.

By DAVID B. COOLEY
Associate Editor

PET OWNERSHIP is continuing to become more common and pet owners are spending more on their animal friends than ever before, say authoritative reports. For the first time in decades, dog ownership has decreased slightly, but cat ownership is showing continued growth.

The U.S pet population last year was led by 48.1 million dogs and 43.9 million cats; the number of dogs was down by 0.4 percent, while cat numbers were up 7.6 percent over 1981, according to the Pet Food Council.

As has been the case in recent years, the growth in cat ownership is far greater than for dogs or any other animal category. While dogs still dominate the field, increasingly large numbers of people are choosing cats as pets. The reasons seem clear, say the experts — the faster growth in cat ownership is a result of the restrictions placed on pet owners in many housing units. Cats are generally smaller, considered to be cleaner and easier to keep as pets and are frequently allowed in places that prohibit dogs.

With substantial increases in the pet population, there have been corresponding increases in demand for all kinds of pet foods and supplies. New brands and formulations of established brands continue to proliferate.

Worldwide sales for pet foods in commissaries during 1982 were $124.1 million, or 2.8 percent of total commissary sales. Sales originating in overseas stores accounted for just over 20 percent of this total.

Last year, national retail sales of dog food stood at $2.9 billion and cat food at $1.6 billion, says the Pet Food Institute. These figures represent a 4.5 percent increase in dog food dollar volume, and an 11.5 percent increase in cat food over the 1981 figures.

In the accessories arena, flea collars, medicinal products, dog and cat accessories, rawhide bones, aquariums and aquatic supplies, small-mammal supplies and bird supplies make up the categories normally found in a pet department or pet store. A SAMI report pegs 1982 growth for these and other pet accessories at 2.7 percent nationwide in units sold over the 1981 figure, while the dollar increase was 6.9 percent.

Foods for Pets

The principal ingredients of pet foods are meat, poultry and seafood by-products, feed grains and soybean meal. The Pet Food Institute emphasizes that pet food manufacturing plants are subject to FDA inspection, and that FDA standards and regulations apply to pet foods just as they do to foods processed for human use. Moreover, most of the 50 states require that pet food labels be registered and approved. The labels must:

- conspicuously identify the product as a dog or cat food,
- display a brand name that is not misleading as to content or nutrition,
- give a guaranteed chemical analysis
- show an ingredient listing in descending order of weight contents.

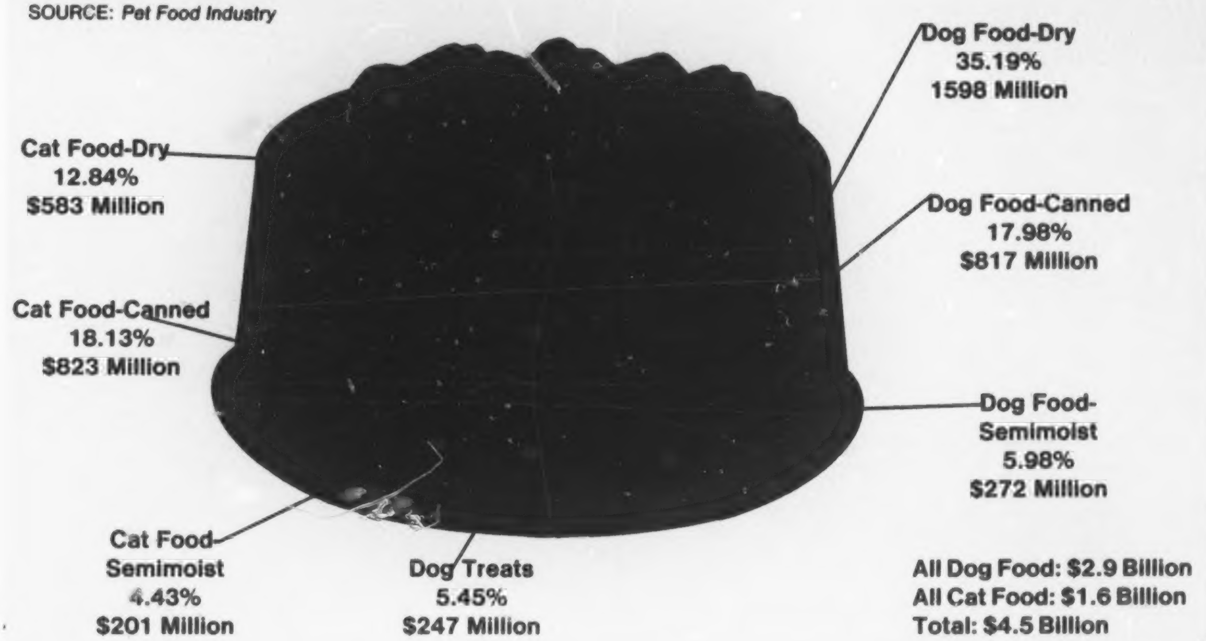
Ralston-Purina Co. manufactures and markets more pet food than any other company. Because of its longstanding leadership in the industry, Steve Gunning, head of marketing-military sales, says, "Customer demand usually dictates that a large comstore carry all Ralston-Purina brands of pet food."

Quaker Oats Co. has been providing pet-owners with Ken-L Ration dog food and Puss 'n Boots cat food for decades. The blue label dog food has been a standard in the Quaker Oats line since 1942, and Puss 'n Boots has been on the shelves since 1950. Both are readily available in commissaries, says Bob Henderson, coordinator of military sales at

(Continued on page 39)

CY 1982 National Retail Sales of Pet Food

SOURCE: *Pet Food Industry*



(Continued from page 34)

Quaker.

Pounce is now making its way onto commissary shelves in four flavors: beef, liver, chicken and kidney.

Quaker is also the major manufacturer of generic dog food, according to Henderson. Generic pet foods are sold in Navy commissaries, and John Russas, spokesman for NAVRESSO, says generic pet food is a top-selling generic item.

AFCOMS stores do not carry generic pet food as such, except for a few stores that have specific local demand for it and a local supplier. Air Force stores do have an alternative to name-brand pet food, however — a Quaker private label dog food called Main Dish. Henderson says it is produced in 10 or 11 forms, including a 20-pound bag of dry.

VPRs, discount coupons and promotions with raffle premiums have been popular in the past and will continue, says Henderson. One hundred cases of pet food is a typical store's qualifying purchase for the raffle promotions. This is usually a product mix of Ken-L Ration dog food, Ken-L Ration Special Cuts, Semi-Moist, and Puss 'n Boots.

Star Kist Foods Inc. has several items in test market, says Ed Ryan, V.P. at Star Kist. Three have just been introduced — 9-Lives Ranch Supper, 9-Lives Country Chicken 'n' Gravy and 9-Lives Fisherman's Stew. A product the company is just rolling out nationally is Amore, a gourmet cat food in a 3¼-ounce can. "We've been working on it for years, and now it's available nationwide," he says.

Jerky Treat Snacks, a snack for puppies and dogs has gone national in a one-ounce packet. Soon to be on the market will be a three-ounce packet. "It tastes much like jerky beef — dogs go bananas over it," says Ryan.

Flea Collars Make or Break

Most civilian pet stores have an advantage over exchanges. They will maintain a "wet department" of pet livestock. According to Steve Mitchem, MSM at the Sergeant's division of A.H. Robins, included in the definition of "wet" are fish, birds, exotic animals and small mammals — hamsters, gerbels, guinea pigs and others. A store that has sufficient space usually has a supply of dogs and cats, too.

Mitchem says even well-managed wet departments don't make money. They are labor intensive, requiring considerable maintenance. "You make nothing on fish," he says. "You pay for the dead fish flown in from Florida. You buy a thousand, and 70 arrive dead. You pay for them anyway."

Even without a wet department, Mitchem says pet accessories can be a very active profit center in the exchange if they are stocked, displayed and merchandised properly. He says educating customers about prices and stock selection is central to the success of the department.

As any good merchant will do, the pet shop manager encourages his customers to return to his shop for accessories. Military patrons need to be aware that the exchange has a well-stocked pet department — that they need not go to civilian pet shops for accessories and pay the higher off-base prices.

Top priority in stock selection means having a variety of competitively priced flea and tick collars always on hand for both dogs and cats. Mitchem says collars are the fastest-growing segment of the pet accessories market. They normally comprise 30 percent to 35 percent of the department's sales. Important to the manager is the fact that they're profitable — collars don't take up even close to a third of the available shelf space. The sale of collars can make or break a pet department, he says.

For Their Health

Second priority in stock selection should be given to pet health and grooming aids products, Mitchem says. Also important in the assortment are pet toys, especially rawhide bones. "We keep coming out with toys and gimmicks, and people just love them," says Mitchem. Because

(Continued on page 40)

PET FOOD AND SUPPLIES

(Continued from page 39)

of these priorities, it makes good business sense to invest about a third of the departmental money in collars and then be sensitive to the other pet needs of the local patrons, he says.

A problem in many military stores, says Mitchem, is that the stock assortment in pet supplies does not reflect the sales of that assortment. A large stock of bird and small mammal supplies may look attractive and fill up the shelves, he says, but sales for this merchandise are usually only three percent to four percent of the business. "You don't want inventory tied up. You can't get too specialized in a self-service store," he says.

Another problem, he says, is insensitivity to the pricing strategies of off-base stores. "Too many times, the civilian stores will price flea collars at less than list," Mitchem says. "The discount stores like to low-ball them, while the exchanges lose sales on collars and on other merchandise in the store." He says that customers will make multiple purchases of collars and will pick up additional pet items if the price and selection are right.

With either the wrong accessories assortment or the wrong pricing on collars, the result can be an annual turn of only one or two times on some items in the small-mammal and bird sections, and perhaps only four or five turns on collars. The turn on collars should be around eight or nine times a year, he says. "And it will be — if the department is stocked properly."

Pet supplies are usually sold only in exchanges, with pet food sales coming from commissaries. But Mitchem tells MILITARY MARKET that AFCOMS conducted an eight-week test of selling pet supplies in two commissaries this past summer, at McGuire AFB, N.J., and Hanscom AFB, Mass. The space alloted was only eight linear feet, which he says was enough to merchandise collars, but not much else. He says between 12 and 24 feet of space is about right for a pet supplies department.

With cost-plus pricing in the commissaries pitted against the profit-minded pricing in the exchanges, the test was a success. But a lot of the collars were bought by commissary patrons at the expense of sales in the exchange. A source close to the test says it was "illegal," and Mitchem confirms that it is unlikely that the commissaries are going to get into the pet supply business any time soon.

Litter Fills a Need

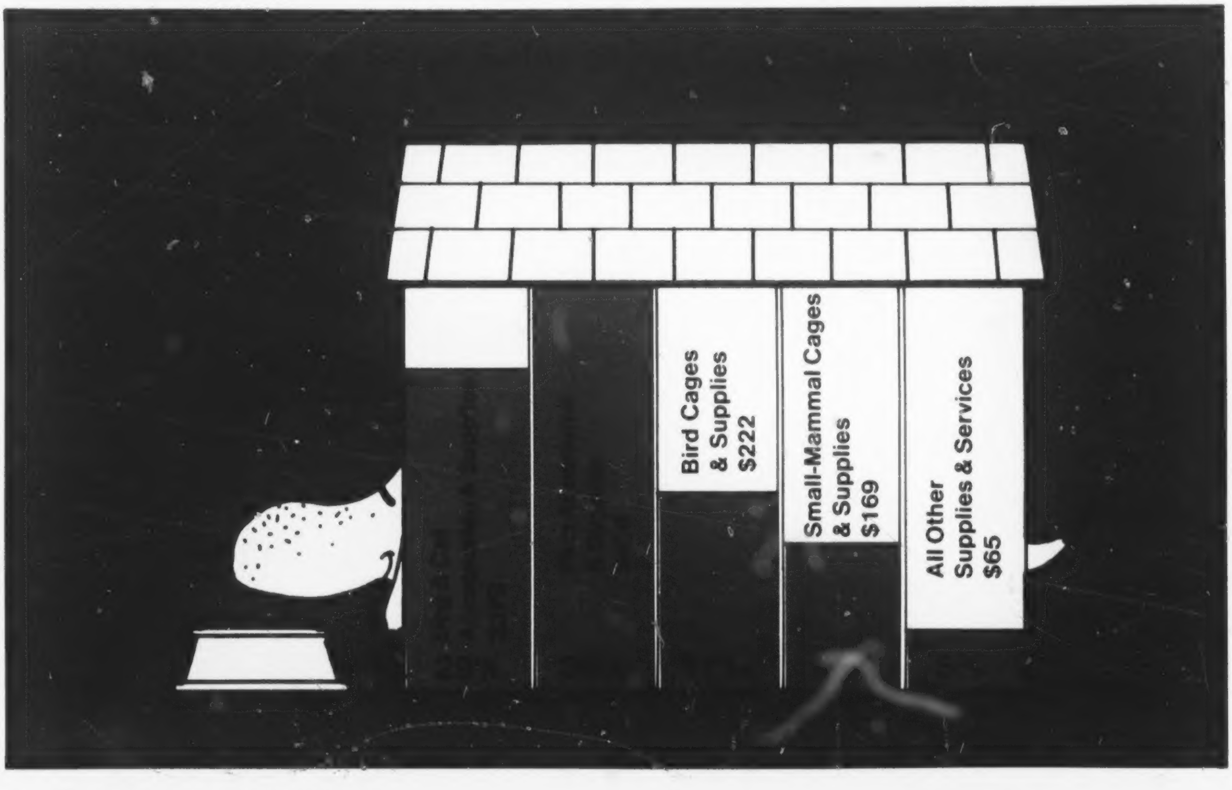
Pet box filler, mainly litter material for cats, has become a staple since it was introduced in 1947 by the Lowe Corp.

Forty years ago, cat owners simply put sand in a box for the family cat to use indoors. The sand served the purpose, but it needed to be changed frequently. In 1947 a family friend of Ed Lowe, a manufacturer of industrial absorbents in Cassopolis, Mich., asked him for something to put into her cat's litter box. He simply put some dried, granulated clay in a bag and gave it to her. Later, when she asked him to bring more, Lowe figured he might be onto something big, and he decided to go commercial with his bagged clay. Soon he was packaging the material in paper bags labeled "Kitty Litter" in his own hand and was peddling it to pet shops in several nearby towns. Thus an industry was born.

Clorox Co. markets a cat box fiber product called Litter Green. Bill Stanley, MSM at Clorox, says it is the only national brand of litter made from alfalfa. He says Litter Green has the advantage of being more absorbent than clay and more effective in containing odor because of the natural texture and chlorophyll content of the alfalfa plant. "It costs more, but some cats won't use anything else," he says.

Clorox has a new litter product in test market named Fresh Step. This is a clay-based litter that the company claims is more absorbent than other clays. It also contains microencapsulated fragrance pellets that are activated when the cat steps on it.

MM



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Commissaries

		AUGUST			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$148,078	$134,585	+10.03	$1,167,578	$1,096,975	+6.44
	OVERSEAS	28,577	26,801	+6.63	232,603	219,494	+5.97
	TOTAL	**176,655**	**161,386**	**+9.46**	**1,400,181**	**1,316,469**	**+6.36**
Army	CONUS	99,120	96,928	+2.26	826,862	795,392	+3.96
	OVERSEAS	32,340	28,808	+12.26	265,399	238,992	+11.05
	TOTAL	**131,460**	**125,736**	**+4.55**	**1,092,261**	**1,034,384**	**+5.60**
Navy	CONUS	49,478	49,450	+0.06	429,949	407,559	+5.49
	OVERSEAS	5,937	5,761	+3.06	49,544	47,818	+3.61
	TOTAL	**55,415**	**55,211**	**+0.37**	**479,493**	**455,377**	**+5.30**
Marines	CONUS	10,490	9,227	+13.69	90,077	85,840	+4.94
	OVERSEAS	155	120	+29.17	1,496	1,361	+9.92
	TOTAL	**10,645**	**9,347**	**+13.89**	**91,573**	**87,201**	**+5.01**
Coast Guard	CONUS	314	301	+4.32	2,257	2,308	-2.21
	OVERSEAS	247	190	+30.00	1,416	1,433	-1.19
	TOTAL	**561**	**491**	**+14.26**	**3,673**	**3,741**	**-1.82**
All Commissaries	CONUS	307,480	290,491	+5.85	2,516,723	2,388,074	+5.39
	OVERSEAS	67,256	61,680	+9.04	550,458	509,098	+8.12
	TOTAL	**$374,736**	**$352,171**	**+6.41**	**$3,067,181**	**$2,897,172**	**+5.87**
Grocery Stores	U.S.[1]	**$21.095 bil.**	**$19.471 bil.**	**+8.34**	**$162.506 bil.**	**$155.118 bil.**	**+4.06**

Exchanges

AAFES	CONUS	$238,250	$231,161	+3.07	$1,799,440	$1,730,066	+4.01
	OVERSEAS	150,420	148,540	+1.27	1,214,120	1,168,595	+3.90
	TOTAL	**388,670**	**379,701**	**+2.36**	**3,013,560**	**2,898,661**	**+3.96**
Navy	CONUS[2]	93,835	91,595	+2.45	669,686	661,315	+1.27
	OVERSEAS[2]	38,050	34,698	+9.66	285,233	269,602	+5.80
	TOTAL[2]	**131,885**	**126,293**	**+4.43**	**954,919**	**930,917**	**+2.58**
Marines	CONUS	29,193	29,123	+0.24	219,547	219,455	+0.04
	OVERSEAS	4,364	4,738	-7.89	37,682	36,903	+2.11
	TOTAL	**33,557**	**33,861**	**-0.90**	**257,229**	**256,358**	**+0.34**
Coast Guard	CONUS[3]	6,428	6,157	+4.40	47,725	47,157	+1.20
	OVERSEAS[3]	876	686	+27.70	6,508	5,257	+23.80
	TOTAL[3]	**7,304**	**6,843**	**+6.74**	**54,233**	**52,414**	**+3.47**
Mail Order	CONUS[4]	949	1,033	-8.13	9,113	8,214	+10.94
	OVERSEAS[4]	3,207	3,929	-18.38	29,857	31,015	-3.73
	TOTAL[4]	**4,156**	**4,962**	**-16.24**	**38,970**	**39,229**	**-0.66**
All Exchanges	CONUS	368,655	359,069	+2.67	2,745,511	2,666,207	+2.97
	OVERSEAS	196,917	192,591	+2.25	1,573,400	1,511,372	+4.10
	TOTAL	**$565,572**	**$551,660**	**+2.52**	**$4,318,911**	**$4,177,579**	**+3.38**
Department Stores	U.S.[1]	**$9.370 bil.**	**$8.553 bil.**	**+9.55**	**$66.129 bil.**	**$61.921 bil.**	**+6.80**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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Military Market

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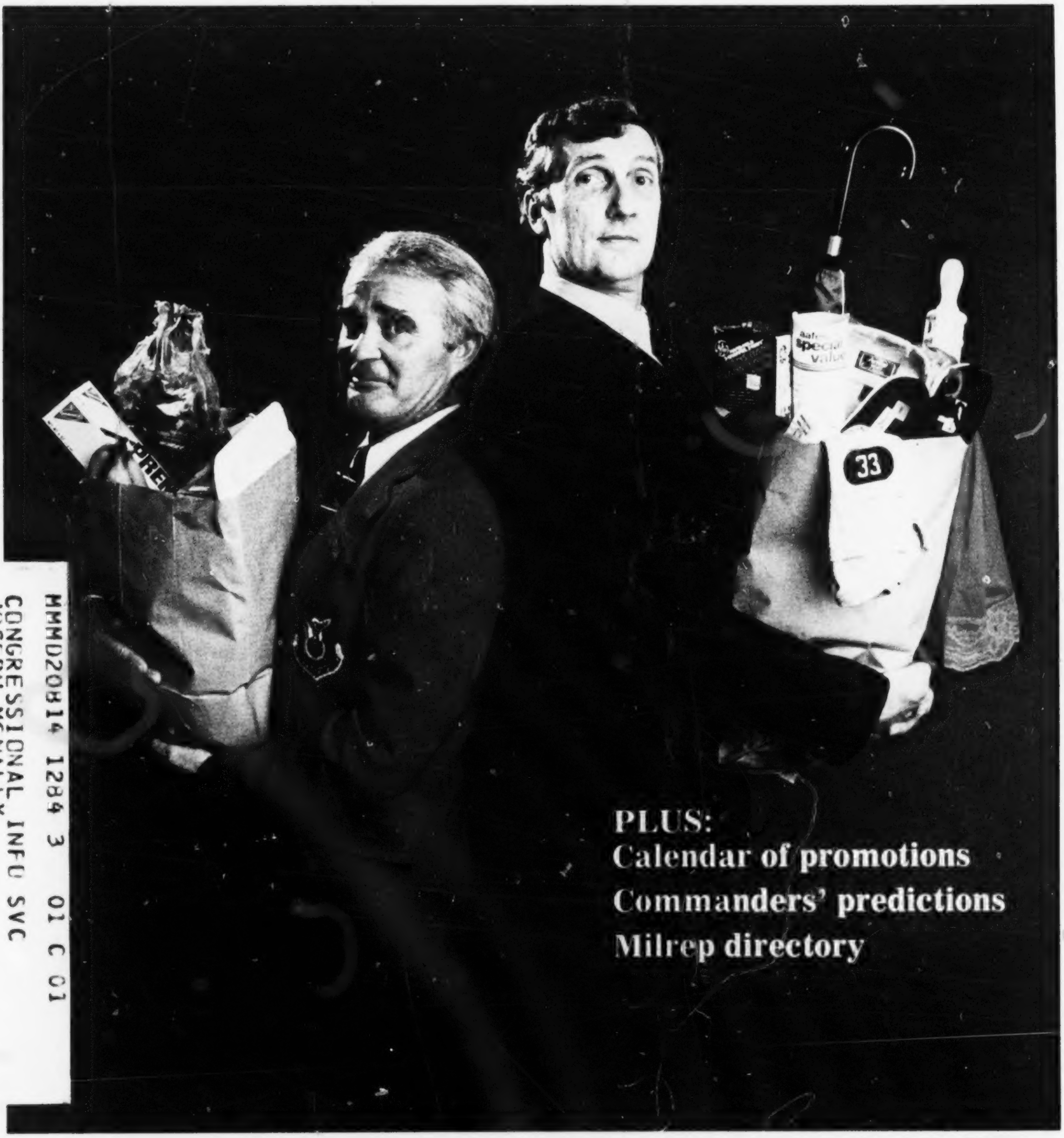

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PLUS:
Calendar of promotions
Commanders' predictions
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1984 Buyers Guide

Military Market serving the military retail system

JANUARY 1984/VOLUME 35/NO. 1
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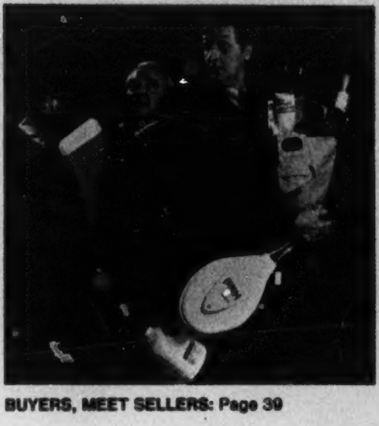

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March: H&BA, Household supplies, Housewares, NEXs
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May: Beverages, Photography, Marine commissaries

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Military Market survey

Generics in the Commissary
Most Managers Say Customers Want More of Them

GENERIC PRODUCTS, once considered to be unappealing, of questionable quality and widely criticized by brand-name manufacturers, have nevertheless become an established part of most commissary inventories.

This month's survey tabulates responses from eight Navy commissaries, five AFCOMS, five TSA and one each from the Marine Corps and Coast Guard. Most of the commissary officers and managers contacted (19 of 20) say that black-and-white label generic products are well-received in their stores. So well-received, in fact, that many report frequent requests from patrons to put a larger selection of generic products on the shelves.

But not all managers like generics. One store discontinued generic products altogether because of a lack of customer acceptance. The manager of the store says there was insufficient customer interest in them, but admits that he personally doesn't feel generics are of good quality.

Leaders in generic sales, the officials say, are cigarettes, paper products, cleaning products and pet foods; however, what sells well at one location may do poorly at another: One manager cited pet foods as a slow mover, while another cited paper goods, both of which did well at other stores. The number of generics carried in any one store varied from one type of item — just cigarettes — to more than 120 line items.

Frequently mentioned categories for adding to commissaries that don't stock them include coffee, butter, macaroni and cheese, condiments, dishwashing liquid (other than pink) and orange juice. One manager says his patrons are largely retirees, and they would like to have "as full a line as they can get."

Another manager comments that the retirees in his area tend to buy branded merchandise early in the month when they receive their checks. "Later in the month, they buy more generics," he says.

The appeal of generic groceries is not limited to low-income families. Many of the responses indicate that just the opposite is true: One manager says, "People who could benefit the most purchase them the least."

When asked how generics should be merchandised, managers' opinions lean heavily toward integrating them with branded merchandise (13 out of 20 responses). But those among the other seven strongly say that grouping generic products in a single section is a successful merchandising technique.

Representing the majority opinion, one manager says, "Generics sell better when they're right in with the name brands. Let them see the price difference." But another says, "The generics should be in one group so they [patrons] can see them all at once."

Another manager considers the separate-section-vs.-integrated-products debate irrelevant: "Major advertising on TV and in the papers really helps. There's no advertising for generic products, and they don't move as well."

Most managers surveyed say the addition of generics to the line improves the image the store has for quality merchandise. But one manager, who holds a minority view, says, "The black-and-white label tends to turn people off."

Opinion in this month's survey was evenly divided as to whether sales of branded merchandise are cannibalized by sales of generics. Half of the managers answering the survey believe name-brand manufacturers offer better deals to the commissaries because of the increased competition from generic labels, while the others don't see any better deals as a result of the addition of generics.

In defense of generics, one manager says, "In some ways, yes, [there is cannibalization], but not to any great extent, or the extent they [the manufacturers of branded products] would have you believe."

The majority of the managers believe their shelves should be stocked with even more generic line items. "Generics give people a choice," says one manager. "It's the free-enterprise system at work."

MM

1 — WHICH OF THE FOLLOWING TYPES OF GENERIC PRODUCTS HAS THE GREATEST CONSUMER ACCEPTANCE IN YOUR STORE? Black-and-white generic label — 14. Second label — 5. Private label — 1. Troop issue (GI brand) — 1.*

2 — WHICH GENERIC ITEMS SELL BEST IN YOUR STORE? Paper products — 6. Cleaning products — 6. Cigarettes (only in TSA and AFCOMS) — 6. Pet foods — 5. Diapers — 3.*

3 — WHICH ARE THE SLOWER MOVERS? Tea — 5. Coffee — 3. Soap — 3. Mayonnaise/salad dressing — 2. Corn oil, H&BA,* pet food, honey, peanut butter, paper products, spaghetti, noodles, jellies, food products — 1 each. Don't know — 1.*

4 — ARE THERE ANY PRODUCT CATEGORIES THAT YOU OR YOUR PATRONS WOULD LIKE TO SEE IN GENERICS THAT CURRENTLY AREN'T AVAILABLE? Yes — 10. No — 4. Don't know — 6.

5 — GENERICS ARE DESIGNED TO APPEAL TO SHOPPERS WITH LOW INCOMES. DO YOU THINK GENERIC PRODUCTS HELP BRING ENLISTED PEOPLE OR LOW-RANKING OFFICERS INTO THE STORE? Yes — 10. No — 9. Don't know — 1.

6 — DO YOU THINK GENERIC PRODUCTS SELL BETTER IF THEY ARE MERCHANDISED IN A SEPARATE SECTION OF ALL-GENERIC PRODUCTS OR TOGETHER WITH OTHER ITEMS OF THE SAME PRODUCT CATEGORY? Separate section — 7. With other similar merchandise — 13.

7 — DO YOU THINK GENERIC PRODUCTS IMPROVE OR DETRACT FROM YOUR STORE'S IMAGE OF OFFERING QUALITY PRODUCTS? Improve — 12. Detract — 2. Don't know — 6.

8 — DO MAJOR BRAND-NAME MANUFACTURERS GIVE YOU BETTER DEALS BECAUSE OF GENERICS? Yes — 10. No — 5. Don't know — 5.

9 — DO YOU THINK GENERIC PRODUCTS CANNIBALIZE SALES OF BRANDED PRODUCTS IN YOUR STORE? Yes — 10. No — 10.

10 — DO YOU THINK THE SALES RECORD FOR GENERIC ITEMS IN YOUR STORE JUSTIFIES THEIR CONTINUED PRESENCE? Yes — 19. No — 1. **WOULD YOU LIKE TO SEE THEM EXPANDED OR REDUCED?** Expanded — 14. Reduced — 1. Stay the same — 5.

*Adds to more than 20 because of multiple responses.

Military Market index

		SEPTEMBER			YEAR-TO-DATE		
Commissaries		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$147,007	$139,928	+5.06	$1,314,585	$1,236,903	+6.28
	OVERSEAS	29,047	28,250	+2.82	261,650	247,743	+5.61
	TOTAL	**176,054**	**168,178**	**+4.68**	**1,576,235**	**1,484,646**	**+6.17**
Army	CONUS	105,210	99,736	+5.49	932,072	895,128	+4.13
	OVERSEAS	28,350	30,264	-6.32	293,749	269,256	+ 9.10
	TOTAL	**133,560**	**130,000**	**+2.74**	**1,225,821**	**1,164,384**	**+5.28**
Navy	CONUS	66,910	51,334	+30.34	496,859	458,894	+8.27
	OVERSEAS	7,832	6,006	+30.40	57,376	53,824	+6.60
	TOTAL	**74,742**	**57,340**	**+30.35**	**554,235**	**512,718**	**+8.10**
Marines	CONUS	12,983	11,799	+10.03	103,061	97,640	+5.55
	OVERSEAS	203	235	-13.62	1,698	1,597	+6.32
	TOTAL	**13,186**	**12,034**	**+9.57**	**104,759**	**99,237**	**+5.56**
Coast Guard	CONUS	317	219	+44.75	2,574	2,528	+1.82
	OVERSEAS	259	216	+19.91	1675	1,649	+1.58
	TOTAL	**576**	**435**	**+32.41**	**4,249**	**4,177**	**+1.72**
All Commissaries	CONUS	332,427	303,016	+9.71	2,849,151	2,691,093	+5.87
	OVERSEAS	65,691	64,971	+1.11	616,148	574,069	+7.33
	TOTAL	**$398,118**	**$367,987**	**+8.19**	**$3,465,299**	**$3,265,162**	**+6.13**
Grocery Stores	U.S.[1]	**$20.864 bil.**	**$19.651 bil.**	**+6.17**	**$183.212 bil.**	**$174.769 bil.**	**+4.83**
Exchanges							
AAFES	CONUS	$226,999	$221,590	+2.44	$2,026,439	$1,951,656	+3.83
	OVERSEAS	150,038	145,998	+2.77	1,364,158	1,314,593	+3.77
	TOTAL	**377,037**	**367,588**	**+2.57**	**3,390,597**	**3,266,249**	**+3.81**
Navy	CONUS[2]	85,890	85,257	+0.74	755,576	746,572	+1.21
	OVERSEAS[2]	37,257	35,097	+6.15	322,490	304,699	+5.84
	TOTAL[2]	**123,147**	**120,354**	**+2.32**	**1,078,066**	**1,051,271**	**+2.55**
Marines	CONUS	27,996	27,302	+2.54	247,543	246,757	+0.32
	OVERSEAS	3,880	4,451	-14.56	41,562	41,444	+0.28
	TOTAL	**31,876**	**31,843**	**+0.10**	**289,105**	**288,201**	**+0.31**
Coast Guard	CONUS[3]	6,104	5,838	+4.56	53,830	52,995	+1.58
	OVERSEAS[3]	832	651	+27.80	7,340	5,908	+24.24
	TOTAL[3]	**6,936**	**6,489**	**+6.89**	**61,170**	**58,903**	**+3.85**
Mail Order	CONUS[4]	895	983	8.95	10,007	9,197	+8.81
	OVERSEAS[4]	2,629	2,652	-0.87	32,487	33,668	-3.51
	TOTAL[4]	**3,524**	**3,635**	**-3.05**	**42,494**	**42,865**	**-0.87**
All Exchanges	CONUS	347,884	340,970	+2.03	3,093,395	3,007,177	+2.87
	OVERSEAS	194,636	188,939	+3.02	1,768,037	1,700,312	+3.98
	TOTAL	**$542,520**	**$529,909**	**+2.38**	**$4,861,432**	**$4,707,489**	**+3.27**
Department Stores	U.S.[1]	**$9.127 bil.**	**$8.239 bil.**	**+10.78**	**$75.265 bil.**	**$70.160 bil.**	**+7.28**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

Military Market

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NATIONAL FROZEN FOOD MONTH
FROZEN FOOD MONTH
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GARNETT SULLIVAN

Resale Warms Up To Frozens

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Military Market serving the military retail system

FEBRUARY 1984/VOLUME 35/NO. 2
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Military Market survey

Good Holiday for Exchanges
Momentum May Carry Through in 1984

CHRISTMAS 1983 was a very jolly sales period for the exchanges. An overwhelming majority, 15 out of the 20 exchange managers interviewed by telephone, agreed that this year's Christmas was one of their best ever.

Coming on the heels of the 1982 season's dismal showing, several store managers felt sales were bound to be better this year. MILITARY MARKET's survey confirmed that 18 managers felt 1983 sales were better than last year's holiday sales. "When sales are as bad as they were last year, there's no direction for them to go but up," remarked one exchange manager.

The runaway leader in exchange sales was the electronics department. Virtually every store manager had glowing praise for the sales of audio, stereo and photographic merchandise. "This was the year for videocassette recorders and blank videotape," said another exchange manager. "Apparently the 'in' gift for 1983 was the VCR."

Microwave ovens, traditionally a high-ticket Christmas gift item, also fared exceptionally well in the exchanges. One manager told MILITARY MARKET, "Microwaves just flew out of my store — I had to special-order several of them in order to meet the demand. We have never had such a good Christmas for this item."

Sales of clothing, small appliances and toys in general were not poor, but several managers said sales for these items were less than they had expected. "A lot of what sells in your particular store depends to a large extent on your location and the customer profile for your store. At this particular post, troops move in and out frequently, and that really hurts our sales for home-related items, such as small appliances and tools," said another manager.

However, because of large amounts of advertising in base and post newspapers and flyers and several promotions at the exchanges, special one-time buys in housewares and small appliances were highlighted and enjoyed strong sales this Christmas. "There were some excellent deals on housewares that were well-promoted with flyers and it really paid off for us," said one AAFES exchange manager.

Several AAFES managers also gave a lot of credit for the strong holiday sales to the Holiday Dividend Bonus Program, in which participating exchanges gave significant savings back to the military patron. One exchange manager explained, "We were taking percentages off several items — the amounts were prorated for each exchange. There were some great deals available on housewares."

Some exchanges experienced shortages in certain select toy items, microwave ovens, housewares and some popular giftware items, such as china and crystal, but generally managers reported ample stocks and satisfied customers after the final holiday sales tickets were all rung up.

One category of products that fell below last year's sales levels at several exchanges was perfumes and cosmetics. "I guess everyone still had plenty of fragrance left over from last Christmas because our sales were very disappointing in this area," said a Navy exchange manager.

Special promotions and events tied to the post-Christmas period figured prominently in the strong sales reported by many managers. One exchange manager tells MILITARY MARKET, "I have found that post-Christmas sales are a good time to move more than just leftovers like wrapping paper and holiday merchandise — you can move a lot of other products if you promote the sale properly."

Exchange managers were also optimistic about future sales. Said one: "Of course it's always hazardous to venture a guess based on your Christmas sales alone, but 1984 is shaping up very well, and the momentum from this period often carries through."

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1. — HOW WOULD YOU DESCRIBE 1983 CHRISTMAS SALES AT YOUR EXCHANGE? Excellent — 15 Good — 5 About average — 0 Below average — 0 Poor — 0

WAS IT BETTER, THE SAME, OR WORSE THAN THE PREVIOUS YEAR? Better — 18 Same — 2 Worse — 0

2. — WHAT CATEGORIES OF MERCHANDISE WERE PARTICULARLY STRONG SELLERS THIS CHRISTMAS? Electronics — 10 Microwaves — 1 Housewares — 4 Clothing — 3 Giftware — 2

3. — WHAT CATEGORIES OF MERCHANDISE WERE POOR SELLERS OR SOLD LESS WELL THAN YOU EXPECTED? Winter clothing — 4 Toys — 5 Perfumes — 6 Cosmetics — 3 Electronic Games — 2

4. — WHICH DEPARTMENTS AT YOUR EXCHANGE SHOWED THE BEST SALES? Electronics — 7 Camera — 4 Housewares — 9

5. — HAVE STRONG CHRISTMAS SALES FOR YOUR EXCHANGE GENERALLY BEEN A GOOD OMEN FOR STRONG SALES DURING THE NEXT YEAR? Yes — 14 No — 4 Don't Know — 2

6 — DID YOU HAVE A STRONG POST-CHRISTMAS SALES PERIOD? Yes — 20 No — 0

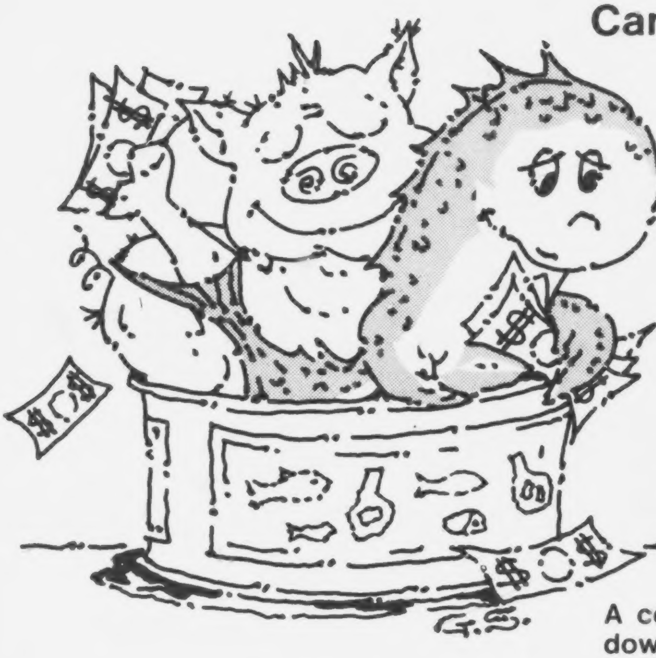
DID YOUR EXCHANGE SPONSOR ANY SPECIAL PROMOTIONS OR EVENTS TO PROMOTE THIS PERIOD JUST AFTER CHRISTMAS? Yes — 17 No — 3

7. — WHAT WERE YOUR CUSTOMERS' MOST COMMON COMPLAINTS DURING THIS CHRISTMAS SEASON? Crowds — 5 Long checkout lines — 2 Too small an exchange — 2 Item selection was too small — 10 Prices too high — 1

8. — WHAT SORT OF THINGS DO YOU THINK COULD BE CHANGED TO INCREASE YOUR PROFITABILITY FOR THE CHRISTMAS PERIOD? See story

9. — WERE THERE ANY SHORTAGES IN ANY PRODUCT CATEGORIES AT YOUR EXCHANGE? Yes — 15 No — 5

10. — DO YOU EXPECT GOOD, AVERAGE OR POOR PROFITABILITY IN THE UPCOMING YEAR? Good — 14 Average — 6 Poor — 0



Future Prices Look Bright

A continuing oversupply keeps tuna prices down, and ample supplies of processing meat are predicted for 1984.

By **DAVID B. COOLEY**
Associate Editor

ALTHOUGH CANNED meat and seafood products continue to enjoy wide acceptance on American grocery shelves, the tuna canners are still contending with a long-term oversupply, say industry insiders. Commerce Department figures released in November show that the 1982 pack of most canned fish products was down from the previous year. Demand for tuna however, started to increase in late 1983, and this general trend is expected to continue through 1984.

The 1982 tuna pack, the largest segment in canned seafood, was off 14 percent from the 1981 pack. The reason for the smaller pack and higher wholesale prices has been a sustained carry-through of old inventories from previous years and low demand. The real culprit for the poor sales position was the high price of fuel, say informed industry sources.

Low-sodium tuna appeared on civilian and commissary shelves in mid-1982, and has been the only growth segment within the tuna category, according to James Reed at Ralston Purina. "There is very definitely a market for low-salt tuna," says Reed, "and low salt [tuna] is doing very well, considering the overall market trends." He adds that Ralston's Chicken of the Sea brand also is doing well with Lite tuna, which is packed in spring water and seasoned with oil and the traditional amount of salt.

Tuna Regrouping

"We see the tuna industry in a very healthy tonnage growth in 1984 — about two percent to four percent," says Erik Bloemendaal, product manager at Star Kist Foods Inc. "We've seen the category rebound," he says. "The fishermen are now paying less for fuel, so we're paying less for their catch. We're passing the savings along to the consumer," he says.

"The tuna industry is an extremely competitive market," Bloemendaal says, "and we heavily promote the Star Kist brand in the civilian stores and in the commissaries." Often the consumer is looking for a particular kind of tuna — white, light, oil pack or water pack. Neat, orderly stacks of cans on the shelves, rather than dumping the cans in bins, allow the consumer to recognize the kind desired with the least difficulty, he says.

"There is a growing consumer trend toward the water pack. It's a cleaner, lighter taste, especially for salads," he says. Star Kist is presently canning 60 percent of its tuna output in water and 40 percent in oil.

The other new tuna category — low sodium — is not catching on as fast as expected, Bloemendaal says, though it's important enough to Star Kist to be continued. "Our canneries identify those fish that have lower salt content — those are the ones we use for the low-salt product," he says. He adds that they come mostly from the western Pacific (Philippine Islands, Guam and Samoa), but that tuna fishing is conducted in the Atlantic and Indian oceans as well.

Star Kist is the No. 1 tuna at retail in the United States, according to SAMI figures, with about 31 percent of the market. Ralston Purina's Chicken of the Sea has 22 percent; Castle & Cooke's Bumble Bee has 14 percent; regional brands have 21 percent; and Japanese brands — Geisha, Empress and Three Diamond — have seven percent. The remaining five percent of the $1.4 billion market is in private label.

Surimi Seafood

A revolutionary product currently being test-marketed in the United States is made from fish that previously were considered inedible, or at best, unpalatable, says Doug Gordon, director of fishery affairs and seafood processors at the National Food Processors Association.

The product is surimi — a white, bland, gelatinous analogue of fish. Surimi is made from pollock, hake, gulf golden croaker and similar "junk fish" which, until now, have been under-utilized because of their coarse flesh and generally bony structure, says Gordon. "Surimi may well become a low-cost source of protein worldwide," he says.

Surimi can be reformed or reconstituted into almost any texture or shape to resemble tuna, shrimp, crab

Canned Seafood Production
CY 1982

Product	Standard Cases*	Pounds*	Wholesale Dollars*
Albacore white	6.0		
Light tuna	21.1		
All tuna	27.1	538.5	918.4
Clams	3.8	98.9	85.2
Salmon	2.5	120.3	199.0
Shrimp	1.2	1.2	45.0
Mackerel	0.9	39.2	14.9
Sardines	0.7	15.6	24.6
Oysters (drained)	0.1	10.7	2.2
Bonito	0.1	1.7	2.1
Pet food	8.5	406.9	130.0
All other	1.3	57.5	71.9
Total	**46.2**	**1,290.5**	**1,493.3**

*Standard cases and pounds in thousands, dollars in millions.
SOURCE: U.S. Department of Commerce

legs and other seafood products. When made properly, Gordon says it has the expected mouth feel, visual appeal, taste and texture of the product it is made to resemble — at a much lower cost.

Surimi and surimi-like products have been available in Japan for several years, and proponents of surimi predict increasing acceptance by American consumers. Their reasoning is that the traditional high-protein Japanese diet is viewed by many Westerners as being very healthful.

The current position of surimi in the U.S. market represents less than one percent of total seafood sales; therefore, the opportunity for improving this position should be good, Gordon says.

Canned Meats: A Windfall

Federal programs are encouraging meat and dairy producers to make fewer dairy products and to sell their cattle for slaughter, says A. Dewey Bond, executive secretary of the National Meat Canners Association. As a result, he says, "there should be an ample supply of processing meat in 1984."

The future for canned meat and meat products looks bright, confirms Bob (Doc) Lommen, MSM at Geo. A. Hormel & Co. He reports that most industry observers predict prices for beef, pork and poultry will remain stable through 1984, though some say prices may rise moderately after April because of increasing feed costs. "Last year's business was exceptional in the commissaries," Lommen says.

Even though Hormel's best-known product, Spam, far outsells its leading competitors, it usually doesn't get shelf facings in proportion to its sales, Lommen believes. Spam continues to be featured in the company's ongoing promotional schedules. "A promotional display in the commissaries requires a 15 percent VPR, and we do a job in promoting them [Hormel products] twice a year."

Also popular in commssaries, he says, are Hormel's Short Orders. These minimeals are meat products packed in 7.5-ounce cans that sell equally well in the family section of the commissary and from vending machines in other on-base locations. Lommen says there are some 25 to 30 items in the line, but they show better movement when the selection is limited to a few. He says the maximum carried by any one commissary is two facings each of eight items.

Although 90 percent of Hormel's canned meat military sales are in commissaries, exchanges also play an important role in their distribution. Lommen says there are only seven items authorized for sale in the AAFES stores. Navy exchanges, however, are able to buy them from a Price Agreement Bulletin, and so "a Navy exchange manager can get just about anything we make," says Lommen. He adds that some exchanges carry Short Orders both in main stores and in convenience store locations.

Flexible, Retortable Pouches

The packing industry, looking for ways to increase productivity and profits, has been investigating the feasibility of using new packaging to enhance traditional meat and fish products, says Robert Green, manager of process and packaging technology at the NFPA.

As successful as canned meat and fish products have been over the years, there is economic pressure on canneries to reduce costs and maintain quality. Consumers have wanted the taste and texture of fresh products with the convenience of canned at an economical price, he says. In short, they want to "have their meat and eat it, too."

Recent packaging developments have done just that, says Green. New materials that are gaining wide interest from the packing companies are heat-resistant pliafilms and laminates. The plastic pliafilm packages are transparent, making the product inside visible and more appealing before it is purchased. Similar packaging is currently being used for a variety of ready-to-cook frozen foods. The laminated package materials are metallic-looking and opaque, and are able to withstand higher temperatures than the plastic alone.

By using these plastic materials, the fish or meat product is easy to heat or cook by dropping the pouch into boiling water or by placing it in a microwave oven. In addition, the new packages are flat ("low profile" in trade terms), take up less space and are lighter in weight than metal cans. These economies are being closely eyed by the industry, Green says.

The most notable success in new packaging for "canned" meat and fish is the opaque retortable pouch. It has all the advantages of pliafilm except for transparency. The retort pouch is a metal foil package that has the potential of literally replacing the tin can, Green says. The fish or meat product inside the pouch has less degradation of flavor, better characteristic texture and nutrient retention, and is low in production, handling and shipping costs, he says.

With the advent of the retortable pouch, aseptic packaging and freeze dry packaging, the pressure has been on canners and packers to produce foodstuffs with improved flavor and texture at reduced costs. "We are engineering products to take advantage of the new packaging," says Dr. Harry Mussman, microbiologist and veterinary medicine specialist with NFPA.

MM

Resale Warms Up to Frozens

ZEN FOOD MONTH
NATIONAL FROZEN FOOD MONTH
NATIONAL FROZEN
GARNETT SULLIVAN

For the first time, the resale systems are participating in National Frozen Food Month — and just in time. Frozens are making a comeback after a year of sluggish sales.

By GUY LAMOLINARA
Managing Editor

THE CHILLY SALES picture for the frozen foods case seems to have subsided.

A full three quarters of the frozen food business has gained in tonnage sales, according to recent SAMI figures for the year ending Oct. 14, 1983. This is a far different scenario than existed a year ago when sales for the category were flat overall and the only shining stars were upscale, high-cost entrees.

Those products increasingly making their way into consumers' freezers were: other frozen foods, up 93.3 percent. (Other frozen foods is a minor group consisting of popcorn and pancake batter.); refrigerated and frozen desserts, 12.8 percent; prepared foods, 5.8 percent; meat and fish, 4.3 percent; breakfast foods, 2.4 percent; fruits, 1.2 percent; regular and prepared vegetables, 0.7 percent each; and juices and drinks, 0.6 percent.

On the down side were pot pies, losing 3.6 percent; baked goods, dropping 3.6 percent; and potatoes, experiencing a 1.5 percent decline.

Pot pies' precipitous 3.6 percent decline for the year looks very serious, considering that for the 12-week period ending Oct. 14, the decline was a stunning 14.1 percent. According to one industry source, pot pies simply do not fit in with current consumer preference for a more upscale, sophisticated taste.

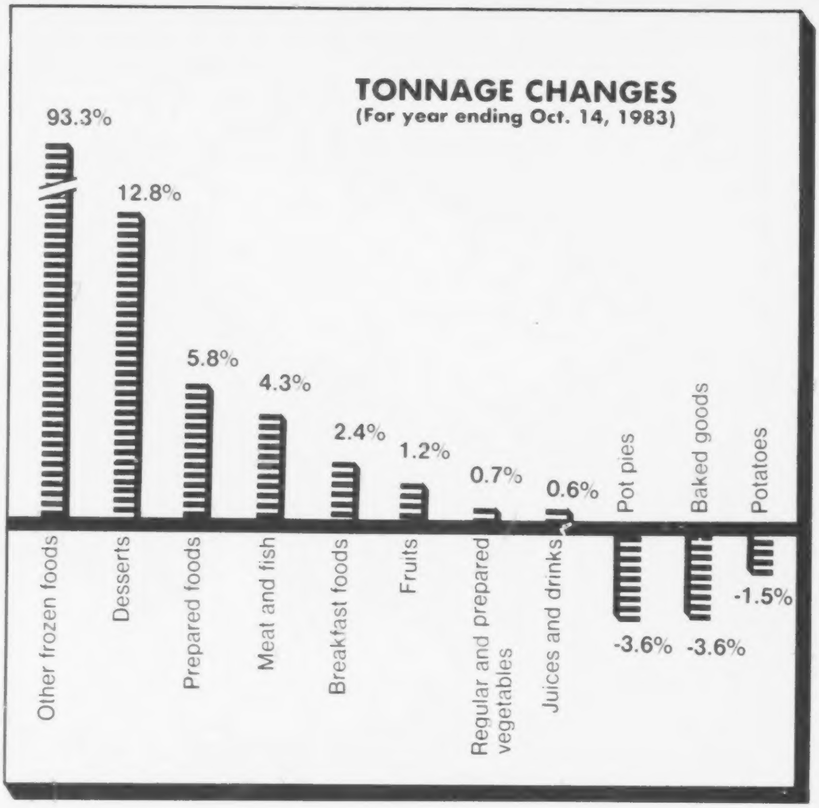
Frozen baked goods, suffering from increased competition from in-store bakeries and vendor-stocked fresh baked goods, sustained a similar but less severe blow: For the 12-week period, the drop was 6.8 percent.

The success of potato products seems to be sprouting anew. For the 12-week period, they were up 6.5 percent. Reason: Frozen potatoes have been able to capitalize on the fact that the price difference between the more expensive frozen and less expensive fresh has decreased, says *Frozen Food Age*.

Upscale Still Tops

Although most segments of the industry are making a comeback, the more expensive, single-dish entrees are still making gains that outpace the rest of the competition. And more manufacturers, recognizing the trend, are joining the fray.

One of the newcomers is Benihana Frozen Foods Corp., named after the famous chain of Japanese steakhouses. The 11-ounce boil-in-bags will contain sliced beef with vegetables in teriyaki sauce, sirloin pepper steak, sweet-and-sour chicken and chicken with snow peas, among others.



Another company making a foray into the relatively uncluttered upscale ethnic category is Van de Kamp's, with its Mexican, Chinese and Italian Classics. H.C. Anicich, MSM, describes the line as "restaurant style."

To give its Mexican foods a high-quality image, the company uses shredded beef instead of less expensive ground beef. The Chinese and Italian items are currently in test market in the Western United States, in both civilian and military stores, Anicich tells MILITARY MARKET; the Mexican line has been national for at least two years, he says.

The company has also taken a bold step with its Chinese Classics: The line will offer spicy Szechuan entrees. Not to be outdone for unusualness on the Italian front, the lasagnas are sold in creamy spinach and beef and mushroom.

Night Hawk Food's MSM John Fitzsimmons says sales of its upscale Top Chopt line, featuring USDA choice beef, "have absolutely gone crazy. The frozen prepared foods section has become a hot spot [in the commissary]." The choice chopped beef is packaged in two-compartment trays with either potatoes, green beans or corn. Night Hawk's initial entry into the ethnic market is Enchilada Fiesta.

Fitzsimmons attributes much of the renewed interest in frozens to the category's "better quality image." One advantage to selling in the military market, he says, is that "it's mobile. Once they have bought a product, they go to other areas and ask for it. So it expands our market.

"The military has a slight edge over the civilian market in the use of frozen foods for the very reason of [the military's] need for convenience," he says.

1983 saw the debut of Swanson's Le Menu in an effort to boost sagging company sales. Swanson also upgraded its TV Dinners, the perennial favorite of the low-budget set, which experienced a 16 percent decrease in unit sales over the past five years, according to *Business Week*. The improved TV Dinner brand products, with less salt, new sauces and desserts, are scheduled to hit the freezer cases this May as a result of Swanson's Project Fix, the company's campaign to improve taste and sales of its frozen dinners.

For those with champagne tastes but beer budgets, Tambellini Foods (a division of General Host, which also owns Van de Kamp's) introduced The Budget Gourmet, with suggested civilian retail prices of $1.59 and $1.69. The company claims it is able to keep quality high and prices low by using a paperboard container that can be directly put into a conventional or microwave oven, rather than the plastic inner containers increasingly used by producers of other gourmet-type frozen foods. The 12 items in The Budget Gourmet line, including sweet-and-sour chicken with rice, three-cheese lasagna and linguine with shrimp, are only available in limited areas, but a national rollout is planned for this year.

Stouffer's, the grandaddy of the upscale entries, holds a whopping 35 percent share of the $1.7 billion-plus single-dish category. Spokeswoman Marguerite Dannemiller tells MILITARY MARKET that "we are seeing the same trends in frozen foods [in 1983] that we saw [in 1982] — people have more sophisticated tastes, want convenience foods and are into fitness."

The very successful Lean Cuisine, introduced in 1982, sold about $125 million its first year, according to SAMI. Banking on the continued success of the line, Stouffer's has just rolled out with cheese canneloni, beef and cheese canneloni and Salisbury steak with Italian style vegetables.

High on Low-Cal

Although the trend toward low-calorie foods has emerged in a big way in only the last few years, Weight Watchers recognized the need 16 years ago when it introduced the line to calorie-conscious consumers. The latest additions to the company's line are chicken cacciatore, beef oriental and pepperoni pizza; the final rollout of Italian cheese lasagna will be next month. For those with a sweet tooth, the company's desserts will be even harder to resist. "We have downsized the package from a four-pack to a two-pack to reduce the on-shelf price to the consumer," says MSM Phyllis Linville.

"The biggest news in frozens is the premium dinners, and there's also a lot of competition in the diet category," she tells MILITARY MARKET. To keep at the front of the pack, this spring Weight Watchers will sponsor a sweepstakes prize of a trip to the Wimbledon tennis tournament; the company has also become the official sponsor of the Women's Tennis Association.

The reduced-calorie market is rapidly becoming crowded. New low-cal entries are expected from Armour's Dinner Classics; Banquet has just come out with Light & Elegant; there's On-Cor Lite; and Blue Star Foods has Dining Lite.

Certi-Fresh has joined the trend with its Under 300 [calories] line. Previously, the company was a regional seafood marketer, but spurred on by the success of Weight Watchers and Lean Cuisine, it decided to grab a slice of the increasingly fatter slim-foods pie. The nine-ounce Under 300 packages include two types of sole, halibut, bass and cod.

No Bones About It

Americans have always been great lovers of chicken, including the frozen kind, but now they are increasingly looking for the boneless variety.

"Boneless has caught the public's fancy," says Ed Jared, military sales manager for Tastybird Foods. "There has also been tremendous growth in the batter and breaded line. Sales of frozens, particularly in the military market overseas, have been terrific," he tells MILITARY MARKET. "The overseas commissary shopper has very little choice of chicken other than frozen: fresh chicken is generally not available, and the American product is so superior to that in Europe and Asia that they [commissary shoppers] prefer to buy frozen chicken from America."

In addition to the breaded line and raw whole birds and parts, Tastybird also markets frozen diced chicken for use in salads or "any recipe calling for chicken meat," Jared says.

Whether McNugget mania has anything to do with the success of chicken "finger food" is difficult to say, but the verdict is definitely in on the idea: Americans are saying yea more often to bite-size boneless chicken, and manufacturers are responding with a proliferation of products. A consumer is now faced with a choice among Banquet's chicken nuggets, winglets and drum-snackers; Tyson offers breast fillets and hoagies; and bite-size chicken Oriental style, that is, eggrolls, have long been a staple in the LaChoy line.

A Fishy Slugfest

The big news in fish is that less is more: Less breading — or none at all — have meant bigger sales at the checkout.

Van de Kamp's "slugfest," as one report calls it, with Campbell's Mrs. Paul's Kitchen's, has had a substantial impact on the Mrs. At one point, Mrs. Paul's held more than 35 percent of the market. That share has declined to 27 percent, while allowing Van de Kamp's to hook 17 percent and General Mills' Gorton's to snatch 23 percent, says *Advertising Age*. Mrs. Paul's erosion is attributed to its failure to respond to the demand for a lighter, crispier product, such as its chief competitors offered. Only recently has the company begun to fight back with an improved, crispier coating; it is also test marketing seven Light and Natural prepared seafood entrees.

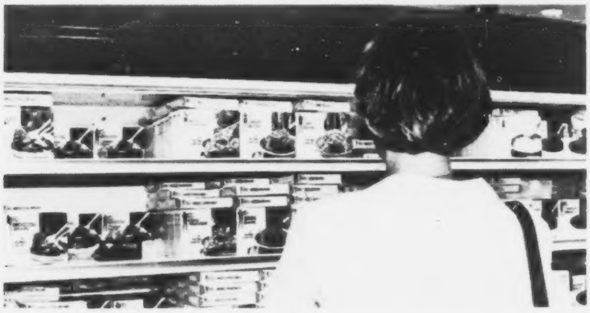
"There is a very heavy trend toward uncoated [fish]," Van de Kamp's Ancich says. As a result, his company has rolled out Today's Catch, a frozen fish fillet that is cleaned on board and frozen minutes after it is caught, he says. The company claims the product is "fresher than fresh" since it doesn't sit on a boat for days, as so-called fresh fish does before reaching market. The maker is also pushing the product's convenience. Unlike most other frozen fish fillets, Today's Catch fillets are individually wrapped so they can be used one at a time.

A Cold War

Pillsbury's assertion that "Totino's has a crust . . . nobody else has" in the Totino's single-serve commercial has resulted in a lawsuit. Jeno's challenged the claim because it says it owns a patent under which a crust similar to that of Totino's is produced.

"It is fine to be competitive in the marketplace, but it is insulting to the frozen pizza industry to permit such false statements in advertising or any communication to the consumer, and we are going to do whatever we can to see that Totino's, or any other packer, is never again allowed to make such disparaging remarks without foundation," Jeno F. Paulucci, company founder, said in a press release.

According to Jeno's spokesman Jim Tills, resolution of *Jeno's Inc. vs. The Pillsbury Co.*, is "under litigation" and no information concerning the suit can be discussed. A spokeswom-



A SHOPPER AT the Fort Belvoir, Va., commissary peruses the frozen foods selection

F-F-FROZEN F-F-FOODS

MILITARY'S MARCH

NEXT MONTH, for the first time, commissaries will get on the National Frozen Food Month bandwagon.

Promoters expect a good performance during the month-long promotion, even though the resale market has little experience in categorywide cross-service promotions of this type. "Despite this National Frozen Food Month promotion being the first of its kind for the industry in the military market, expectations are that this will be a very successful event," says National Frozen Food Association spokesman Nevin Montgomery.

Many manufacturers, such as Banquet, Green Giant, Lender's, Mrs. Smith's and Ore-Ida, recognizing the military's participation in the event, are holding commissary-only promotions.

One commissary from among the services will be picked to receive a Golden Penguin award at the National Frozen Food convention in November. The award is presented, according to Jeffrey Hausman, director of marketing for Francois L. Schwarz Inc., on the basis of a store's use of POS materials, creative displays and overall promotional efforts.

"The Navy and Air Force have taken a strong interest in the program, but TSA is leaving it up to the regions," he tells MILITARY MARKET.

Hausman, who chairs the resale industry committee promoting National Frozen Food Month, is also encouraged by the systems' efforts to get more frozen foods to customers overseas. These stores will also be participating in National Frozen Food [illegible].

"Because of logistics problems in transportation new frozen food items do not get as quickly in stores overseas as they do in ConUS," says Hausman. "Cold-storage space is limited so they [the resale systems] have to restrict what they can sell. But as they realize the importance of frozen foods, they are upgrading the frozen food assortment overseas."

— G.V.L.

TRODUCING
THE BEST OF BOTH
WORLDS!
NIGHT
HAWK
NEW
Salisbury Steak
in golden brown Mushroom Gravy
with Broccoli-Rice Au Gratin
NEW
Enchilada Fiesta
two chunky Beef Enchiladas with
Chili and Cheese
Our two new entrees are microwavable
and in your grocers frozen food section.

an for Pillsbury also declined to reveal any information, terming all details "strictly proprietary."

Lawsuits aside, the frozen pizza industry could stand a little spicing up. According to *Frozen Food Age*, the 0.8 percent decline for the four-week period ending Oct. 14, 1983, was the sixteenth drop in the past 17 four-week periods.

One thing Stouffer's has done is to introduce a single-serve size of its popular French-bread pizzas. Weight Watchers has its new entry, and Tonino's My Classic Pizza deluxe combination promises to be "a pizza your customers will love."

Jeno's has begun a $10 million advertising campaign to take away some of the sales of the take-out market. According to Paulucci, frozen has only a $1 billion share of the $6.3 billion total pizza business. His strategy is to abandon the price cutting that has plagued the industry and to roll that money into more advertising.

Not all the news on the frozen food front concerns variations of established products. Green Giant claims to be the first in the industry with its Stir-Fry entrees. All six items, such as cashew chicken and beef teriyaki, have less than 350 calories. Land O'Lakes Pour-A-Quiche is an unqualified success, and the company claims the product encourages movement of such complimentary items as pie crusts. Tower Isle has come up with Jamaican style patties, pastry turnovers filled with either mild or hot beef filling.

Fire House Beans Inc. now markets frozen baked beans and chili. The company is so pleased with the products' acceptance that it is considering a frozen soup line, says Jim Tucker, military sales manager.

"I would much rather work with the military," he tells MILITARY MARKET. "If you have a good product and price it right, you have a much better chance of getting it into the store without doing a lot of things that have nothing to do with sales, like offering money to get them to stock your product."

Should the economy continue its upward climb, consumers can probably expect even more exotic offerings. All segments of the industry, with the notable exceptions of baked goods and pizza, seem to have recovered from a year-ago slump. The apparent comeback of frozen potato products is encouraging to the other declining categories, which may soon find their way back to the plus side of the sales column.

MM

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Commissaries

		OCTOBER			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$141,944	$145,228	-2.26	$1,456,530	$1,382,131	+5.38
	OVERSEAS	27,198	29,658	-8.29	288,848	277,402	+4.13
	TOTAL	**169,142**	**174,886**	**-3.28**	**1,745,378**	**1,659,533**	**+5.17**
Army	CONUS	107,520	115,336	-6.78	1,039,592	1,010,464	+2.88
	OVERSEAS	32,445	32,240	+0.64	326,194	301,496	+8.19
	TOTAL	**139,965**	**147,576**	**-5.16**	**1,365,786**	**1,311,960**	**+4.10**
Navy	CONUS	52,953	53,616	-1.24	549,811	512,509	+7.28
	OVERSEAS	6,175	6,150	+0.41	63,551	59,975	+5.96
	TOTAL	**59,128**	**59,766**	**-1.07**	**613,362**	**572,484**	**+7.14**
Marines	CONUS	12,036	11,325	+6.28	115,097	108,965	+5.63
	OVERSEAS	199	189	+5.29	1,897	1,786	+6.22
	TOTAL	**12,235**	**11,514**	**+6.26**	**116,994**	**110,751**	**+5.64**
Coast Guard	CONUS	317	237	+33.76	2,892	2,765	+4.59
	OVERSEAS	216	228	-5.26	1,891	1,877	+0.75
	TOTAL	**533**	**465**	**+14.62**	**4,783**	**4,642**	**+3.04**
All Commissaries	CONUS	314,770	325,742	-3.37	3,163,922	3,016,834	+4.88
	OVERSEAS	66,233	68,465	-3.26	682,381	642,536	+6.20
	TOTAL	**$381,003**	**$394,207**	**-3.35**	**$3,846,303**	**$3,659,370**	**+5.11**
Grocery Stores	U.S.[1]	**$20.765 bil.**	**$20.283 bil.**	**+2.38**	**$204.053 bil.**	**$195.052 bil.**	**+4.61**

Exchanges

		OCTOBER			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$230,625	$220,661	+4.52	$2,257,065	$2,172,317	+3.90
	OVERSEAS	157,433	163,372	-3.64	1,521,591	1,477,964	+2.95
	TOTAL	**388,058**	**384,033**	**+1.05**	**3,778,656**	**3,650,281**	**+3.52**
Navy	CONUS[2]	88,253	89,892	-1.82	843,829	836,464	+0.88
	OVERSEAS[2]	38,204	36,977	+3.32	360,694	341,676	+5.57
	TOTAL[2]	**126,457**	**126,869**	**-0.32**	**1,204,523**	**1,178,140**	**+2.24**
Marines	CONUS	29,257	29,212	+0.15	276,799	275,969	+0.30
	OVERSEAS	4,418	4,656	-5.11	45,980	46,099	-0.26
	TOTAL	**33,675**	**33,868**	**-0.57**	**322,779**	**322,068**	**+0.22**
Coast Guard	CONUS[3]	6,188	6,133	+0.90	60,018	59,128	+1.51
	OVERSEAS[3]	844	684	+23.39	8,184	6,592	+24.15
	TOTAL[3]	**7,032**	**6,817**	**+3.15**	**68,202**	**65,720**	**+3.78**
Mail Order	CONUS[4]	1,418	947	+49.74	11,425	10,144	+12.63
	OVERSEAS[4]	3,481	3,192	+9.05	35,968	36,860	-2.42
	TOTAL[4]	**4,899**	**4,139**	**+18.36**	**47,393**	**47,004**	**+0.83**
All Exchanges	CONUS	355,741	346,845	+2.56	3,449,136	3,354,022	+2.84
	OVERSEAS	204,380	208,881	-2.15	1,972,417	1,909,191	+3.31
	TOTAL	**$560,121**	**$555,726**	**+0.79**	**$5,421,553**	**$5,263,213**	**+3.01**
Department Stores	U.S.[1]	**$9.794 bil.**	**$9.016 bil.**	**+8.63**	**$85.050 bil.**	**$79.176 bil.**	**+7.42**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY MARCH 1984 $2.00

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The Grace Commission Report

Will It Bring Down the Commissaries?

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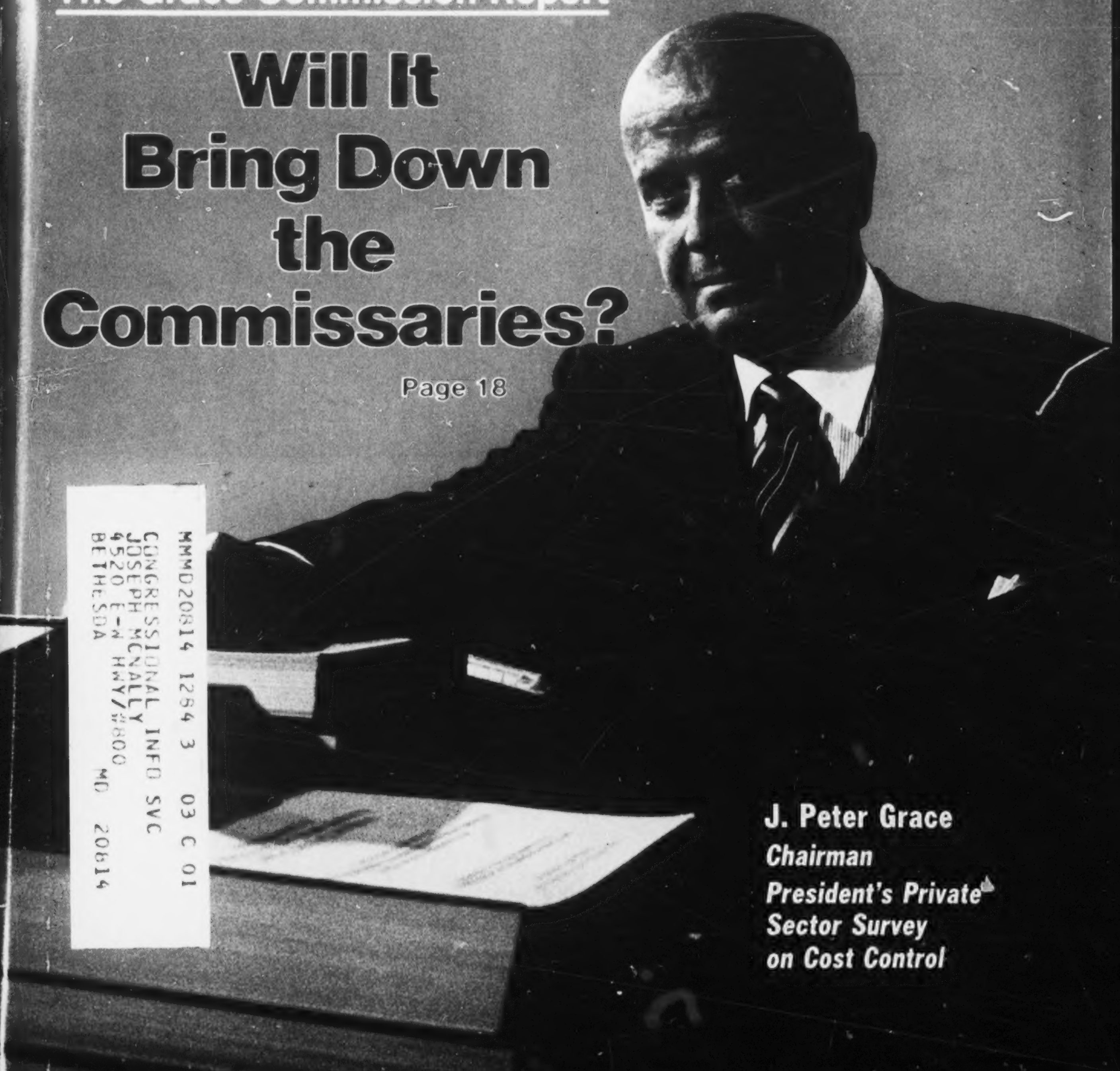

J. Peter Grace
Chairman
President's Private Sector Survey on Cost Control

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coming

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May: Beverages, Photography, Marine Commissaries
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Military Market survey

What Do Milreps Think?

"THEY'RE A PAIN in the ass." The vendor registration programs at AAFES and NAVRESSO received that comment from the president of a military representative firm contacted during this month's survey. And it was an opinion shared by the majority (12 of 20) milrep presidents, VPs of sales, and national sales managers that MILITARY MARKET contacted.

"They're an insult to an honest man — they make me dishonest," another said. Still, there was general agreement among the respondents that some sort of control is desirable and seven of the milreps surveyed said they feel the inconvenience of vendor registration is minimal.

The representatives' real beef comes in the area of justifying their own existence — particularly with AAFES. The reps contacted by MILITARY MARKET say they believe AAFES officials want less contact with them, perhaps believing they can perform their buying function better if they don't see reps on a regular basis. Predictably, the reps surveyed didn't see it that way. Fifteen of the reps surveyed were eager to declare their value to the resale buyers. They said they perform functions that they feel are genuine contributions to the systems. Topping this list is the updated information that they believe they bring to the buyers and the close personal touch they have with the merchandise in the stores.

Reps believe that AAFES officials are incorrect if they think they will save money when buying merchandise direct from manufacturers — without reps (and their commissions):

- "They want to pick up the salesman's commission to prop up inefficiencies at AAFES."
- "I imagine they think they'll save money. Manufacturers will build it [the salesman's commission] back in next time around."
- "They want to receive the rep's commission as a discount."
- "A lot of companies are set up to do business with reps. Their buyers are not expert enough. They need a rep."
- "They think they don't need a rep. They want a discount for the system which is not necessarily turned over to the customer."

Despite this, 13 reps said they have no problems getting into exchanges to keep up with their lines. Of the seven who said they were denied access to stores, five said they were denied access to both AAFES and Navy stores, and two said they were denied access only to AAFES stores.

What can the milrep do to improve stock conditions? "Nothing more than we're doing," said one milrep executive. Six say they would like more buyer contact at the local level, and seven would like to be free to inventory merchandise in the stores and then write or suggest reorders on the spot. A chief criticism of many survey respondents was the short time, a few days, usually, that merchandise was available in the stores at the reduced (VPR) price, thus limiting the opportunity to hold a lengthy promotion.

"We point out out-of-stocks even though we're not supposed to," said one company president. "And if the buyers in Dallas knew, they would take steps to stop it. There are no problems at the store level. I wish there were a better attitude [in Dallas]. There's a lot of animosity there."

The president of one company said he believed that the turnover of personnel in the stores is excessive. "People don't have the interest in the merchandise if they know they're only going to be there six months," he said.

Seven reps surveyed made similar comments concerning supervisory personnel at headquarters and at store level. They felt more responsive attitudes would benefit both the representative companies and the resale systems.

MM

1 — DOES YOUR SALES ORGANIZATION DEAL WITH: Exchanges only — 17. Both exchanges and commissaries — 3.

2 — WHICH RESALE SYSTEM DO YOU FEEL DOES THE BEST JOB OF MERCHANDISING YOUR PRODUCTS? AAFES — 3. NAVRESSO — 4. Marine Corps — 7. Coast Guard — 0. All are about the same — 7.*

3 — HOW DO YOU RATE THE LEVEL OF COMPETENCE AND EXPERTISE AMONG THE EXCHANGE BUYERS THAT YOUR ORGANIZATION DEALS WITH? High — 7. Average — 12. Low — 1.

4 — HOW DO YOU VIEW THE VENDOR REGISTRATION PROGRAMS OF AAFES AND NAVRESSO? Streamlined and efficient — 1. No worse or better than previous systems — 6. Cumbersome and time consuming — 12. Not applicable — 1.

5 — HOW DO YOU VIEW THE TREND TOWARD INCREASING USE OF SELECTION COMMITTEES WITHIN THE RESALE SYSTEMS? Results in better selections — 5. Poorer selections — 6. Has little or no effect on selections — 7. Don't know — 2.

6 — HAVE YOU EVER EXPERIENCED ANY STORE-LEVEL PROBLEMS WITH YOUR SALES PERSONNEL BEING DENIED ACCESS OR GIVEN ONLY LIMITED ACCESS TO SERVICE THEIR LINES? Yes — 7. No — 13.

7 — WHAT DO YOU THINK IS BEHIND AAFES' TELLING MANUFACTURERS THAT "YOU DON'T NEED A CONTRACTED VENDOR'S REPRESENTATIVE (MILREP) TO DO BUSINESS WITH AAFES?" Political — 0. Economic efficiency — 15. Some ulterior motive to benefit AAFES — 0. Don't know — 4. Other — 1.

8 — DO THE RESALE SYSTEMS DO AN ADEQUATE JOB OF PASSING ALONG THE VPRs YOU OFFER? Always — 8. Usually — 7. Seldom — 5.

9 — ARE THERE ANY SUGGESTIONS YOU MIGHT OFFER TO THE RESALE SYSTEMS THAT WOULD HELP THEM TO REDUCE OUT-OF-STOCK SITUATIONS AND PURGE SLOW-MOVING SKUs FROM THEIR LINES? See story.

10 — IS THERE ANYTHING THAT YOU SPECIFICALLY RECOMMEND TO YOUR SALES PERSONNEL TO IMPROVE STOCK CONDITIONS? See story.

* Answers do not add to 20 because of multip[illegible]ponses.

Will It Bring Down the Commissaries?

The final report of the President's Private Sector Survey on Cost Control is the most recent of many studies that have recommended doing away with the commissary system. But its conclusions are based on misinformation and its recommendations are contradictory. It also fails to address a number of important questions. In the end, commissaries actually save the taxpayer hundreds of millions of dollars a year — something the Grace Commission study failed to mention.

By JAY BLUCHER
Associate Editor

THE SIDES ARE DRAWN. The gauntlet is thrown. No more covert operations or behind-the-scenes maneuverings against the commissary system. With the final report of the Grace Commission now on the president's desk, the enemies of the commissary system are clear and out in the open.

Criticism of the military's grocery stores is nothing new. The shopping benefit has a long history of opposition from the supermarket industry and from some members of Congress. This time around the critics are members of a blue-ribbon panel of private industry executives — the President's Private Sector Survey on Cost Control, also known as the Grace Commission. Convened in 1983 and chaired by crusty J. Peter Grace, chairman of the W.R. Grace Co., the commission was assigned the gargantuan task of ferreting out waste within the federal government.

On Jan. 16 the Grace Commission gave President Reagan a total of 2,400 recommendations for governmental savings, 275 of which involve the Pentagon. Grace himself has conceded that much of the proposed $424 billion in total cost cuts cannot be achieved for many years.

Two of the commission's 36 task forces concluded that commissaries can no longer be justified for economic reasons and have recommended to the president that major changes be made. "Commissaries have duplicated the services delivered by supermarkets and placed the government in competition with private sector business," said one report.

The Grace Commission's final report has many critics. Its research has been found to be incomplete, inaccurate or highly biased, and in many cases the final version fails to reconcile the contradictory recommendations and savings estimates of the early drafts. As the figures on the opposite page show, the commission's recommendations on commissaries were among those that were not clarified.

The commission also failed to address serious questions concerning the commissary business, such as how overseas stores would be operated if Stateside stores were closed. And it also neglected to mention that commissaries save the federal government several hundred million dollars a year in Cost of Living Allowance offsets. DoD research indicates, for instance, that it would cost the government 84 percent more than the current commissary appropriation to reimburse stateside married personnel for the loss of their commissary benefit. *(See chart on page 21.)*

A Serious Threat

There are members of Congress who believe that the effort to close the commissaries is gaining steam and that the challenge from the Grace Commission, despite the faults in its reports, represents one of the most serious threats against the system they have witnessed for many years.

But support in Congress generally remains strongly in favor of commissaries, and the Grace Commission recommendations are beginning to be questioned. "It's the same old argument — the federal government should not be in the grocery store business," says Rep. William Nichols, D-Ala., member of the House Armed Services Committee and its Morale, Welfare and Recreation Panel.

Nichols believes that Grace Commission researchers do not understand the importance of commissaries to the military. He cites a litany of errors that, besides summarizing PPSSCC thinking on the subject, serves as a summary of virtually every criticism ever leveled at the system:

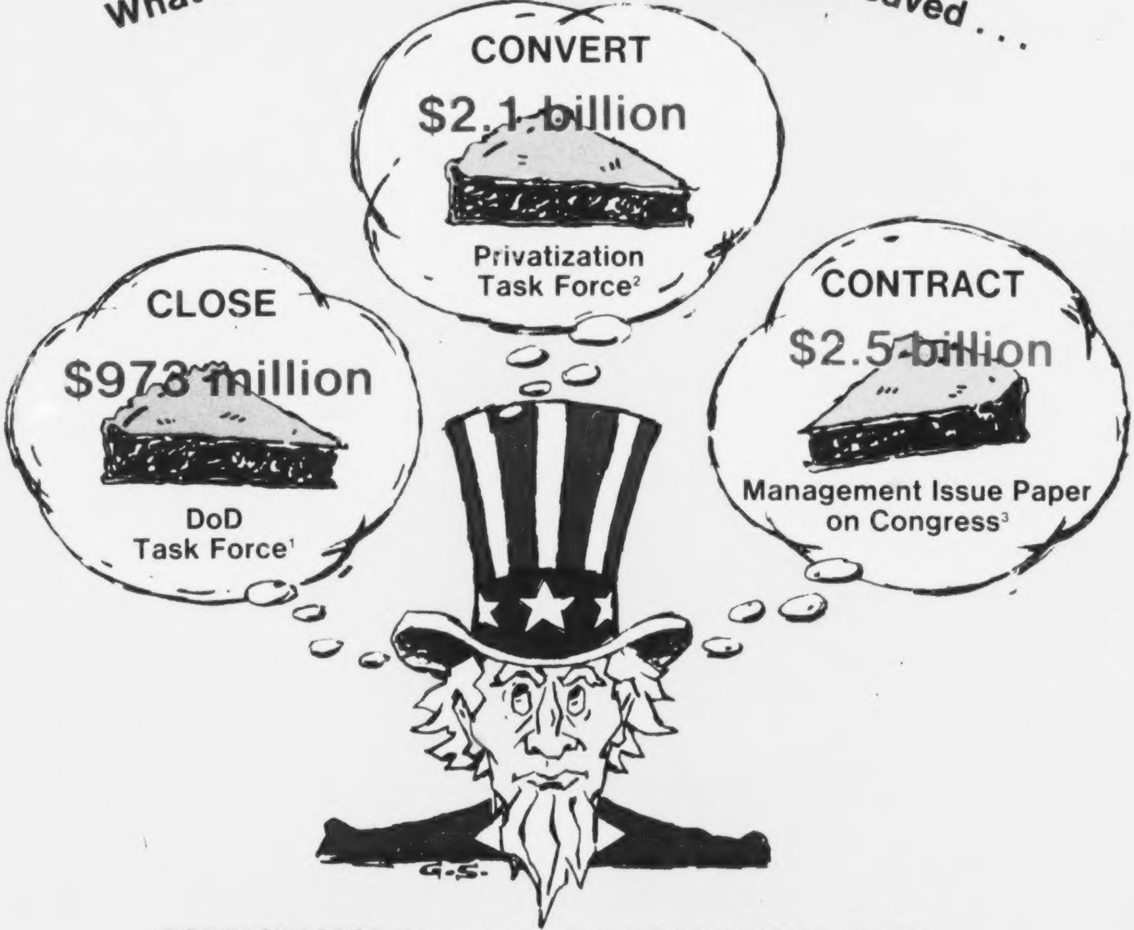
"The Grace Commission is of the opinion that commissary privileges have little impact on recruiting and retention and that the benefits to the military are unknown. It also believes that there is no need for commissaries in metropolitan areas, that commissary savings are not factual and that military commissaries are similar to discount warehouse grocery stores," he says.

The Grace Commission report may be the newest threat to the commissary system, but challenges to the existence of commissaries are certainly not. Retail interests have long leveled criticism at the stores. But the government, though sometimes reluctantly, has always funded them, even in the face of an occasional blast from powerful figures, such as that delivered as far back as 1947 by then HASC Chairman Carl Vinson: "It was never intended that the government should go in the business of providing for its personnel where they have the privilege and opportunity to go to a private place to buy."

Another major threat to the commissary system surfaced in 1954, when a rider inserted in that year's military appropriation act barred funding for commissaries

Pie in the Sky

What the Grace Commission says can be saved . . .



[1] **DOD TASK FORCE:** Three-year savings of $972.7 million by closing ConUS commissaries.

[2] **PRIVATIZATION TASK FORCE:** Three-year savings of $2,064.0 million and revenue generation of $383.2 million by privatizing.

[3] **MANAGEMENT ISSUE PAPER ON CONGRESS:** Three-year savings of $2,509.0 million by contracting out commissaries.

unless the defense secretary certified that adequately stocked civilian grocery stores were not available "at a reasonable distance and a reasonable price." This requirement has continued since 1954 and is the origin of the DoD Triennial Certification of Military Commissary Stores, a pricing comparison between commissaries and civilian stores, which will next be conducted in 1985.

In 1975 President Gerald Ford's administration proposed under Program Budget Decision 282 that federal appropriations for commissaries be gradually phased out. The Ford concept would have required commissaries to be fully self-supporting, in the manner of exchanges, within a two-year period. Numerous bills introduced in Congress prevented the proposal, supported by some Defense officials, from being put into law.

Now in 1984 the commissary benefit is again under attack. While the Grace Commission came up with several different recommendations regarding commissaries, the net result of implementing any of them would be to change the very nature of the benefit, and ultimately reduce its value to the military member.

The report of the Grace Commission's Task Force on the Office of Secretary of Defense, for instance, recommended that DoD completely "terminate the operation of the commissary system in the U.S.," adding that "If there is no adequate supermarket nearby to meet military personnel needs — a highly unlikely occurrence — the exchange system should operate a full-line food store." The task force did not say what it thought should be done to provide on-base grocery sales, nor did it address the question of how support would be given to shoppers overseas, but said that $972.7 million would be saved over a three-year period (the years 2001-2003) by shutting down the stores entirely.

Grace's Task Force on Privatization was a bit kinder. Unlike the DoD Task Force, it proposed leaving military shoppers some sort of on-base shopping alternatives. Predicting that the government would save $2.1 billion over three years (again, the years 2001-2003) if the functions of commissaries were turned over to private industry, the group recommended that steps be taken immediately to privatize the stores. "The Secretary of Defense, in consultation with the House Armed Services Committee, should direct the services to solicit bids to operate commissaries from private sector warehouse food store operators."

Yet another recommendation, this one from a "management issue report" titled "The Cost of Congressional Encroachment," proposed a three-year savings of $2.5 billion if commissaries are turned over to contractors.

In this report, the PPSSCC accused Congress of being more part of the problem regarding commissaries than part of the solution. "The House Armed Services Committee has routinely raised commissary appropriations to provide . . . new stores with employees and inventories. The result of this abdication of congressional oversight has been to make commissary expansion self-perpetuating." The Grace report said that Congress' refusal to implement the recommendations of the Ford Administration's PBD 282 has cost taxpayers $4.5 billion since FY 1977.

[The Army's Troop Support Agency is currently testing contract operation of the commissary at Yuma Proving Ground, Ariz. Analysis of the results of this test, which began in December 1983, will determine the feasibility of further commissary contracting within DoD. The Yuma test is the consequence of yet another historic challenge to the existence of the stores, Office of Management and Budget Circular A-76, which directs federal agencies to expand the number of functions that can efficiently be conducted by nongovernment employees. Circular A-76 was first promulgated in 1966; the proposal to contract out commissaries is the result of a 1979 revision.]

The 0.06 Percent Solution

While the Grace Commission has been quick to predict that multimillions of dollars can be saved by changing the nature of the commissary benefit, many of its calculations pinpointing possible commissary savings rely on the misguided observation that warehouse food stores and commissaries are essentially the same.

Evidence of comparability between commissaries and warehouse stores is weak, at best. A spokesman for the Agriculture Department's Economic Research Service tells MILITARY MARKET that "these stores vary greatly in the type of service and range of products offered. Most commonly, they operate on the principle of minimizing their operating costs by offering spartan convenience."

This used to be *modus operandi* in commissaries as well, but not anymore. With centralized management control now in effect, today's commissaries resemble modern supermarkets in appearance and operation. So while the Grace Commission's sweeping generalization that commissaries and warehouse outlets are the same could still apply in a few instances, it doesn't apply often enough to warrant the commission's basing its complex cost-savings calculations upon such a loose comparison.

But the commission concluded that commissaries have traditionally been compared to full-service supermarkets, a comparison the commission felt was unfair. The true similarity, said the commission, was between commissaries and low-price warehouse stores, which the task force claimed carry approximately the same number of line items and a comparable product mix, but at prices 20 percent less than supermarkets. Researchers for the Privatization Task Force calculated the price difference between commissaries and warehouse stores at only 0.06 percent — six one-hundredths of a percent.

The task force arrived at this startlingly low figure through some clever manipulations of statistics. For instance, the figure used to calculate commissary savings was taken from the triennial survey conducted at Mather AFB on June 20, 1980; this was supplied to the Privatization Task Force by the Food Marketing Institute, which had an obvious bias in seeing a small percentage of savings. Mather's savings that year were the lowest reported by any commissary in ConUS.

The privatization research group also proceeded on an unsupported assumption that warehouse stores save 20 percent over conventional supermarkets. Recent industry figures demonstrate that savings in warehouse stores are nowhere near the 20 percent that the Privatization Task Force claims. *(See table on page 23.)*

The Privatization Task Force based its observation of the operation of commissaries on visits to just two stores, Cameron Station and Fort Belvoir, Va., both in the metropolitan Washington, D.C. area. The store at Fort Belvoir was visited before the post's new facility opened in July 1982. Officials in the commissary systems believe that if the task force had visited modern commissaries such as those at Fort Dix/McGuire AFB, N.J., Fort Benning, Ga., or NAS Miramar, Calif., or any of the other new, surcharge-funded stores and had seen what modern shopping facilities are now being provided to the military customer, they would not have arrived at the same conclusions.

Commissaries are more than just grocery stores, however. The Air Force, for instance, uses AFCOMS commissary personnel to oversee troop feeding as well as operate food stores, and the Army's TSA has command of troop feeding as well as of commissaries. Peacetime commissary operations therefore provide a trained cadre of food logisticians for wartime emergencies. But the Grace Commission report did not address how these troop-level responsibilities would be met without the existence of commissaries.

Another important consideration is that if ConUS commissaries are all turned over to private interests, how would the stability and continued operation of overseas commissaries be maintained? Like the troop feeding question, this issue was never addressed by the Grace Commission.

Questionable Claims for Warehouse Savings

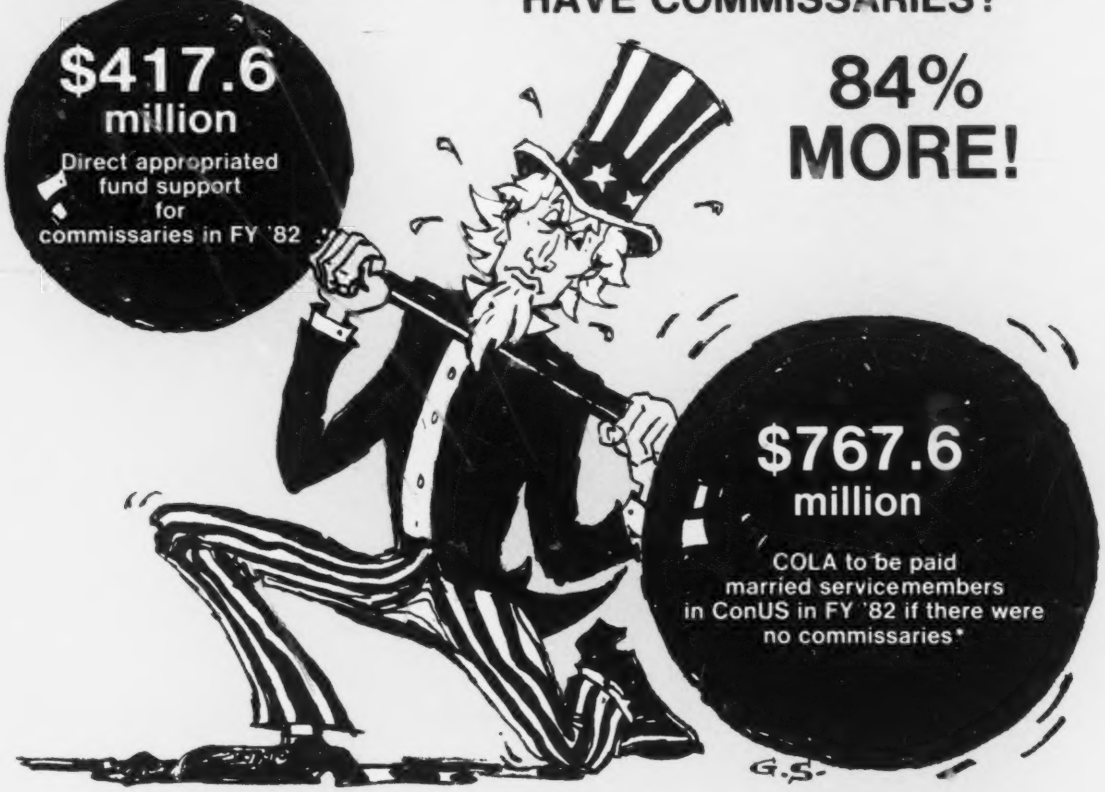
The 20 percent savings over supermarket prices that the commission claimed for warehouse stores are questionable.

For instance, a 1981 survey done in the Washington, D.C., area by the Washington Consumer's Checkbook Service showed that warehouse store savings were about 20 percent over supermarket prices that year, when such stores were new to the area. But the identical survey conducted two years later revealed that savings had declined to about 11 percent. Thus in three years, savings went down by almost half.

This trend, apparently widespread, is affecting patron loyalty. A number of chains are re-thinking their warehouse food operations. A & P and Grand Union, for instance, have closed some warehouse stores because of declining profitability.

Agriculture Department statistics also challenge the commission's assumption of substantial savings in warehouse stores over supermarkets. USDA figures for 1980, for instance, indicated a gross margin of 12 percent to 13 percent in warehouse stores.

WHAT WOULD IT COST UNCLE SAM IF HE DIDN'T HAVE COMMISSARIES?



*DoD has calculated that appropriated fund support for commissaries in FY 1982 was $417.6 million. There were 1,580,128 active duty military personnel assigned to ConUS that year, 810,605 (or 51.3 percent) of whom were married. The average annual disposable income per servicemember in FY '82 was $15,156, and the average annual amount spent on "food to be consumed at home" was $3,787 (25 percent of income). Average commissary savings (25 percent) on this amount is $947 per year — the amount which would be paid married servicemembers assigned to ConUS in lieu of comissaries. For all married personnel assigned to ConUS, this would amount to $767.64 million in FY' 82 — an increase of $350.04 million, or 83.8 percent, over the actual appropriated fund support for that year.

Warehouse food stores are a fairly new entry on the grocery retailing scene, appearing only in the last half decade. According to *Progressive Grocer*, the warehouse store format remains in the most flux of all categories of grocery stores. From the simplicity of the original box stores of the Pacific Northwest, they have become more complex, and increasingly resemble full-service supermarkets. An example is in perishables. Though virtually nonexistent in the early stores, huge, quality-oriented perishables departments are now the focal point of several outlets. And superwarehouse stores of 50,000 to 60,000 square feet are now appearing on the scene; the relatively new Cub chain has a stripped-down warehouse image with upscale perimeter service departments that emphasize variety and quality.

A March 1983 report by Willard Bishop Consulting Economists places the average gross margin for warehouse stores at more than 14 percent, with margins in some departments as high as those in supermarkets: Average margins top 30 percent in deli departments, for instance, and go to more than 40 percent in service bakeries in the larger warehouse stores.

No Independent Surveys?

The Grace Commission also criticized the commissary system by saying that there were very few recent independent surveys comparing commissary and civilian prices. This is another mistaken impression, but it nevertheless figured prominently in some of the group's miscalculations about commissaries. *(See table on page 22.)*

For instance, in an August 1983 market basket comparison done by researchers at American University, the savings that the commissary systems say they offer the military patron were substantiated across the board.

The comparison of commissary prices to those of civilian stores was done at the request of the Army to provide information to a Pentagon study group looking into possible changes in military pay. The study was ordered because Army officials felt "that as long as we were comparing the earnings of military people to that of civilians, we should also compare where they spent their money."

Based on a market basket survey of 81 food items, the survey found the following actual dollar savings at five commissaries over retail grocery stores in the same geographical area:

RECENT SURVEYS CONFIRM IMPORTANCE

Date	Conducted By	Survey Method	Conclusions	Comments
August 1983	American University, for Department of the Army	Market basket survey of 5 commissaries, 5 supermarkets, 81 items	Totals in commissaries were 22.6%-30.6% below comparable supermarkets	Survey provided information to a Pentagon study group looking into possible adjustments in military pay. Estimated that a family of four would save $1,285 a year with commissary shopping
June 1983	Counsel House Research, for the American Logistics Association	Worldwide mail survey of 10,242 active duty service personnel	Commissary benefit perceived as second most important benefit, after medical	Perception of the importance of the benefit rises sharply after enlistment. More than half of the people surveyed rated the benefit worth at least $100 per month
February 1983	Army Soldier Survey	Mail survey of almost 20,000 active duty Army personnel	Commissary benefit rated as second most important benefit, after medical	Over 85% of the personnel surveyed had shopped in a commissary within the past year. Importance given to benefit increases with length of service
March 1980	Hay Associates, for DoD	Field survey of 2,370 active duty personnel	Commissary benefit perceived as second most important benefit, after medical	Typical military member says commissary benefit worth $931 per year

LOCATION	SAVINGS
Safeway, Killeen, Texas, vs. Fort Hood	24.7%
Piggly Wiggly, Leesville, La., vs. Fort Polk	22.6%
Safeway, Lakewood, Wash., vs. Fort Lewis	25.6%
Victory Market, Leominster, Mass., vs. Fort Devens	26.5%
Safeway, Springfield, Va., vs. Fort Belvoir	30.6%

The American University price comparison is being used to refute many of the charges leveled against the commissary system by the Grace Commission. Coming at a time when Congress is considering legislation that would order DoD to have independent surveys done of the savings offered to commissary shoppers, the AU survey clearly shows that the reported savings of commissaries are accurate.

A Promise Still Being Made

Commissaries are an integral part of the promises still being made to young servicemembers, and elimination of the benefit will undoubtedly put a crimp in the military's ability to recruit suitable personnel. The commissary benefit is highlighted in every service's recruitment brochures, and all the services regard the commissary entitlement as a real drawing card and a key retention incentive.

A 1983 Army recruiting publication, for instance, promises the prospective enlistee such incentives as free medical and dental care, housing, clothing, commissary shopping privileges and lifetime veterans benefits. In a Navy recruiting publication, potential service personnel are told, "Depending on where you serve, you'll find a ship's store, exchange or commissary. Some are huge department store complexes. But with your ID card, you're entitled to shop in them — and enjoy special prices on everything from soap to cigarettes." ROTC candidates are told in service publications that if they retire at the end of a full career they will receive their retired pay, plus medical care, commissary, exchange and other privileges.

"As one of the most appreciated fringe benefits, commissary savings have been consistently considered a part of the military compensation package," a spokesman for the Association of the United States Army told MILITARY MARKET. "The commissary and exchange privilege is taken into account whenever military pay increases are considered by Congress," and are also included in computing Cost of Living Allowances.

Commissaries are not only important in the recruitment of new personnel, they are invaluable in retaining trained servicemembers. Surveys conducted by both the military and by outside organizations have repeatedly ranked the commissary shopping benefit as second only in importance to the medical benefit.

In a study conducted just last year, respondents were asked to estimate how much additional monthly allowance would compensate them if they had no access to a commissary. A majority (53.7 percent) estimated the value of the commissary to them as $100 per month or more. Some 9.1 percent placed their estimate at more than $200.

Other Errors and False Assumptions

There are other factual errors and faulty assumptions used by the Grace Commission in its conclusions, mistakes that will undoubtedly be addressed during hearings scheduled to be held this month by the House Armed Services Committee. HASC staffers, for instance, point out that the Grace report said that "The estimate of direct and indirect appropriated subsidy [for the commissaries] is approximately $850 million a year."

But in fact the fiscal year 1984 DoD budget request for commissaries — representing *direct* commissary support for the Air Force, Army, Navy and Marine Corps — was only $605 million. This is as follows:

	MILLIONS
Military personnel pay	$34.3
Civilian pay	$394.4
Transportation costs overseas	$130.7
Other costs, utilities, support, etc.	$45.6
TOTAL	**$605.0**

The Grace Commission estimated that $245 million was to be spent for *indirect* support of commissaries, and apparently derived this estimate from House Appropriations Committee figures, which said that the tab for indirect support of commissaries will be $245 million in 1984. This HAC figure represents an estimate of base support allocated to commissaries for such services as base security, firefighting, garbage collection, snow removal, etc.

These kinds of support are provided to *all* base operations and activities. But while the Grace Commission assumed that this figure represented the total dollar amount going to commissaries for indirect support, Hill staffers tell MILITARY MARKET that, in actuality, money for base operations is a separate line of the budget; support for commissaries is part of base services and it is virtually impossible to define exactly how much went specifically to commissaries.

A reduction in this kind of support to commissaries would not therefore mean that there would be fewer firefighters or police. So another of the questions that the Grace Commission failed to consider is that if the commissaries were to be operated by private industry, how would these services be provided, yet still keep prices at their current levels. It is unreasonable to assume private industry would find this possible. The money for these services would have to come from somewhere, probably in the form of higher prices for the patron.

Several other figures that the Grace Commission reported were also in error or were misinterpreted, say Hill staffers. Between 1980 and 1983, for instance, commissary sales increased 25 percent, from $3.6 billion to $4.5 billion. But in this period, the number of stores worldwide went from 375 to 372, and civilian personnel levels declined as well, going from 22,375 to 21,467, or 4 percent. In effect, this means that the 25 percent increase in sales is today being handled by fewer people working in fewer stores.

The Grace Commission also believed that the commissaries tend to benefit only more senior and married personnel since younger, single military generally are fed in mess halls. This also is misleading. All personnel with ID cards are permitted commissary privileges, and all active duty personnel, regardless of rank, have the privilege. [The only exception to this policy occurs in Korea, as a blackmarketing countermeasure; in order to be eligible to shop at the commissary there, dependent wives must have been married at the time the soldier received orders to Korea.]

The dollar volume of food stamps spent in DoD commissaries also is an indicator of the magnitude of the importance of commissaries. Total food stamp redemptions in commissaries in 1983 were $12.8 million. While this is substantial in itself, it is well below the all-time high of $23.4 million in 1981, when military pay was seriously lagging behind that in the civilian sector and inflation was rampant.

The value of commissaries to their customers is also reflected by the fact that commissaries redeem between 30 percent and 50 percent more cents-off coupons per customer than civilian supermarkets, according to one commissary system source.

There are also currently more than a million military retirees in the United States who served more than 20 years in the armed forces and therefore are eligible to shop in commissaries. This was a promised benefit of their retirement years given to them throughout their military careers. Retirees are not wealthy — the average retired rank among them is staff sergeant or first class petty officer (E-6), receiving a marginal pension.

COMMISSARIES USUALLY OUT-PERFORM OTHER STORES

	ARMY[1]	NAVY[2]	AIR FORCE[3]	MARINES[4]	SUPER-MARKETS	WAREHOUSE STORES[5]
Number of line items (all depts.)	4,386	5,023	6,717	5,787	11,382[6]	9,708
Average weekly hours of operation	42.0	43.0	44.4	43.8	102.0[6]	84.5
Average selling area (sq. ft.)	13,413	13,505	N/A	14,849	17,000[7]	27,600
Average customer count/week	5,655	4,500	5,847	4,501	8,800[7]	9,750
Average order size	$37.58	$45.06	$41.88	$41.00	$11.79[6]	$25.97
Sales per sq. ft./week	$15.85	$15.19	$13.97	$12.42	$6.93[6]	$9.69
Sales per labor hour	$94.24	$129.88	N/A	$83.39	$85.00[7]	$168.50[9]
Labor/fringe costs as % of sales	11.5%*	9.9%*	N/A	11.2%	11.0%[7]	12.19%
Average sales per store/week	$212,545	$200,729	$271,537	$170,335	$104,856[6]	$250,000
Inventory turns/ year	12.13	14.21	N/A	14.3	13.59[6]	26
Surcharge or gross margin	5.0%	5.0%	5.0%	5.0%	24.3%[8]	14.31%

* Including military personnel

SOURCES:

[1] As reported by U.S. Army Troop Support Agency, ConUS stores for first three quarters of FY 1983

[2] As reported by Navy Resale and Services Support Office, ConUS stores

[3] As reported by Air Force Commissary Service, ConUS stores for fourth quarter 1983

[4] As reported by Marine Corps Installations and Logistics Department, worldwide stores for year ending Sept. 30, 1983

[5] "1983 Warehouse Store Operating Survey," Willard Bishop Consulting Economists Ltd., March 1983

[6] *Progressive Grocer*, April 1983

[7] *Competitive Edge*, Vol. III, No. 2, July 1983

[8] *Chain Store Age/Supermarkets*, July 1983

[9] Average of departments only, *excluding* front end

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Commissaries

		NOVEMBER			YEAR-TO-DATE		
		CY'83	CY'82	%	CY'83	CY'82	%
Air Force	CONUS	$148,891	$136,247	+9.28	$1,605,420	$1,518,378	+5.73
	OVERSEAS	30,048	27,129	+10.76	318,896	304,530	+4.72
	TOTAL	**178,939**	**163,376**	**+9.53**	**1,924,316**	**1,822,908**	**+5.56**
Army	CONUS	99,645	94,640	+5.29	1,139,237	1,105,104	+3.09
	OVERSEAS	34,230	26,832	+27.57	360,424	328,328	+9.78
	TOTAL	**133,875**	**121,472**	**+10.21**	**1,499,661**	**1,433,432**	**+4.62**
Navy	CONUS	52,167	46,789	+11.49	601,978	569,298	+7.63
	OVERSEAS	6,001	5,544	+8.24	69,552	65,518	+6.16
	TOTAL	**58,168**	**52,333**	**+11.15**	**671,530**	**624,816**	**+7.48**
Marines	CONUS	11,884	10,490	+13.29	126,981	119,455	+6.30
	OVERSEAS	190	176	+7.95	2,087	1,962	+6.37
	TOTAL	**12,074**	**10,666**	**+13.20**	**129,068**	**121,417**	**+6.30**
Coast Guard	CONUS	312	216	+44.44	3,203	2,981	+7.45
	OVERSEAS	272	277	-1.81	2,163	2,154	+0.42
	TOTAL	**584**	**493**	**+18.46**	**5,366**	**5,135**	**+4.50**
All Commissaries	CONUS	312,899	288,382	+8.50	3,476,819	3,305,216	+5.19
	OVERSEAS	70,741	59,958	+17.98	753,122	702,492	+7.21
	TOTAL	**$383,640**	**$348,340**	**+10.13**	**$4,229,941**	**$4,007,708**	**+5.55**
Grocery Stores	U.S.[1]	**$20.647 bil.**	**$19.385 bil.**	**+6.51**	**$224.787 bil.**	**$214.437 bil.**	**+4.83**

Exchanges

		NOVEMBER			YEAR-TO-DATE		
		CY'83	CY'82	%	CY'83	CY'82	%
AAFES	CONUS	$241,508	$245,669	-1.69	$2,498,573	$2,417,986	+3.33
	OVERSEAS	157,052	161,454	-2.73	1,678,643	1,639,418	+2.39
	TOTAL	**398,560**	**407,123**	**-2.10**	**4,177,216**	**4,057,404**	**+2.95**
Navy	CONUS[2]	98,438	98,255	+0.19	942,267	934,719	+0.81
	OVERSEAS[2]	38,462	35,916	+7.09	399,156	377,592	+5.71
	TOTAL[2]	**136,900**	**134,171**	**+2.03**	**1,341,423**	**1,312,311**	**+2.22**
Marines	CONUS	30,199	30,829	-2.04	306,999	306,798	+0.07
	OVERSEAS	4,524	4,674	-3.21	50,504	50,774	-0.53
	TOTAL	**34,723**	**35,503**	**-2.20**	**357,503**	**357,572**	**-0.02**
Coast Guard	CONUS[3]	6,866	6,764	+1.51	66,884	65,892	+1.51
	OVERSEAS[3]	936	754	+24.14	9,120	7,346	+24.15
	TOTAL[3]	**7,802**	**7,518**	**+3.78**	**76,004**	**73,238**	**+3.78**
Mail Order	CONUS[4]	2,125	2,016	+5.41	13,551	12,160	+11.44
	OVERSEAS[4]	5,575	4,882	+14.20	41,542	41,741	-0.48
	TOTAL[4]	**7,700**	**6,898**	**+11.63**	**55,093**	**53,901**	**+2.21**
All Exchanges	CONUS	379,136	383,533	-1.15	3,828,274	3,737,555	+2.43
	OVERSEAS	206,549	207,680	-0.54	2,178,965	2,116,871	+2.93
	TOTAL	**$585,685**	**$591,213**	**-0.94**	**$6,007,239**	**$5,854,426**	**+2.61**
Department Stores	U.S.[1]	**$11.896 bil.**	**$10.705 bil.**	**+11.13**	**$96.949 bil.**	**$89.881 bil.**	**+7.86**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

Military Market

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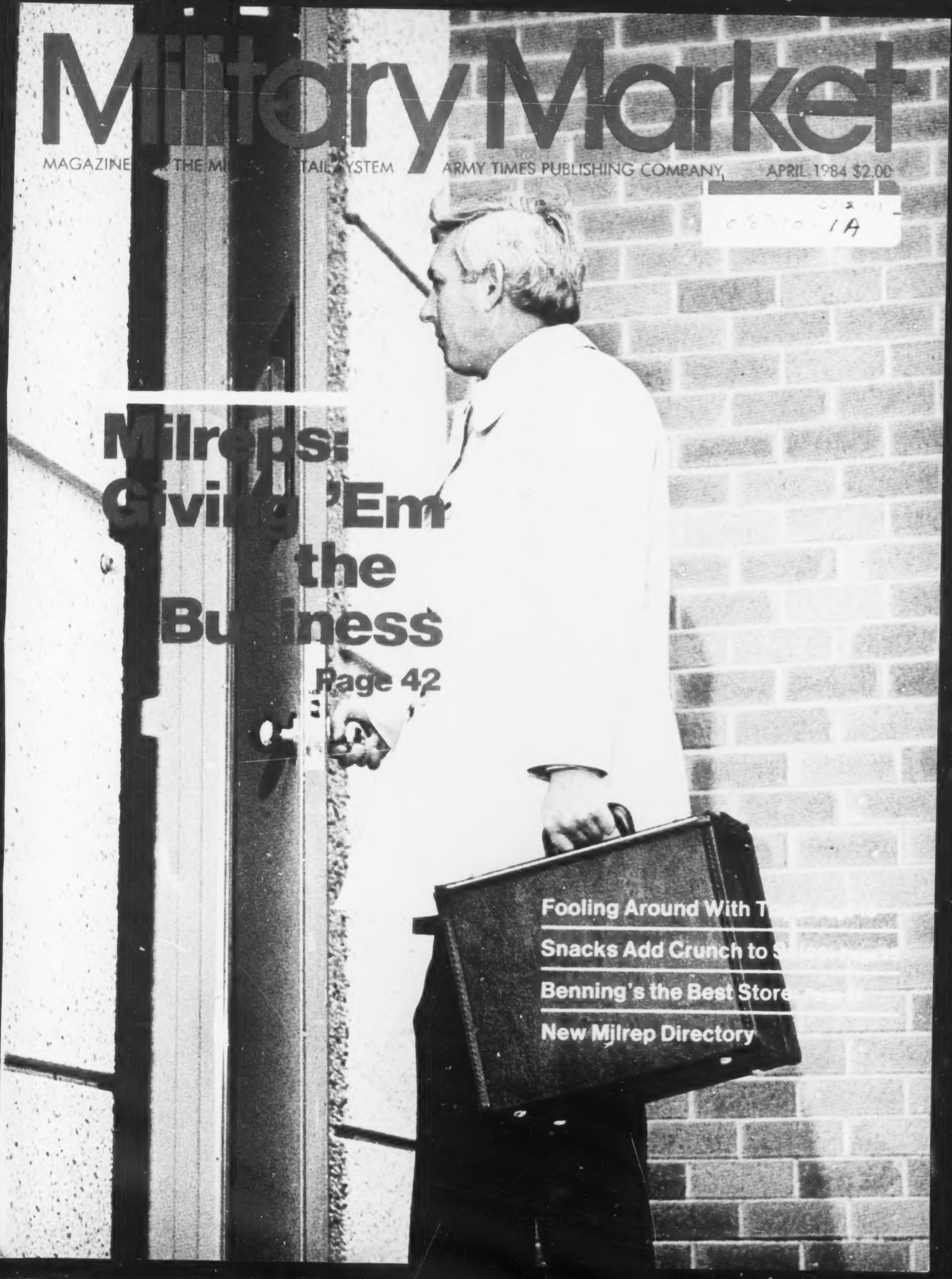

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Snacks Add Crunch to S

Benning's the Best Store

New Milrep Directory

Military Market serving the military retail system

APRIL 1984/VOLUME 35/NO. 4
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Military Market survey

High-Tech in the Comstores

Are They Ready?

COMMISSARY MANAGERS in both AFCOMS and NAVRESSO appear eager to accept the new technology that is rapidly entering the day-to-day operations of their stores.

Thirteen of the 20 managers contacted for this month's survey said they were familiar with the tests of direct store delivery within AFCOMS and NAVRESSO.

Familiarity does seem to breed contempt, however, as 10 managers said they felt direct ordering would be unworkable in their stores. "I don't see any way that the commissaries will be able to work closely enough with industry to see that 96 percent of the deliveries are made promptly," the standard for the test.

Other managers said they see many advantages to direct store delivery. Timeliness, improved service to patrons and less money tied up in overhead were among the most commonly cited benefits.

"I think direct store delivery would bring us closer to the industry and improve our relationship with them. It would definitely give us a greater response time. This is the way a lot of commerical firms operate. It's not like it's any novel idea. Maybe for the commissaries, it is, but not within industry," says one AFCOMS commissary store manager.

One idea that is novel to 10 of the 20 commissary store managers surveyed however, is UCS — the uniform communications standard program. Fifty percent of the sample said they had heard about UCS, but were not familiar with the details of the program or the implications UCS holds for the future management of their stores.

Only three AFCOMS or NAVRESSO managers said they knew a lot about the program. Seventeen commissary managers tell MILITARY MARKET that their headquarters has told them little or nothing about UCS. Others had heard bits of information through the grapevine, ALA meetings, other store managers and the trade press.

Several managers expressed the general feeling that, "The commissaries should learn to crawl before they walk." Many store managers felt that a system such as UCS, in which store managers reorder by scanning the shelves with a hand-held wand, should not come to the commissaries until scanning is completed in their stores.

"I dont' think we want to put the cart before the horse. A sophisticated system such as this would be much easier with scanning. This would allow me to have a better idea of specific product movement within the store," says a NAVRESSO store manager.

Scanning was also foremost in the mind of this AFCOMS commissary manager who says, "Getting scanning at the cash register is the first priority. Paperless ordering via computers is still a long way down the road for the commissaries. They'll study it for a long time, have a lot of meetings and panels and committees . . . Then after UCS is in widespread use in the private sector, finally decide to get into it."

Commissary managers surveyed were divided on whether the commissaries lag behind their civilian grocery store counterparts, with 12 of the 20 managers saying they felt the commissaries were not technologically inferior to the commercial grocery outlets.

Still, there were some vocal commissary managers who disagreed. "If you look closely at the innovation in this industry, it is not happening in the commissaries. New products, new technologies and new ideas are happenning in the commercial outlets first. Scanning is the perfect example. The commissaries got into it much later than the outside."

MM

1. — AFCOMS AND NAVRESSO ARE CURRENTLY TESTING DIRECT STORE DELIVERY, IN WHICH ORDERS ARE PLACED DIRECTLY WITH A DISTRIBUTOR RATHER THAN THROUGH A MILREP. ARE YOU FAMILIAR WITH THESE TESTS?
Yes — 13. No — 7.

IF SO, WHAT HAVE YOU HEARD AND WHERE DID YOU HEAR ABOUT IT? DO YOU LOOK FORWARD TO THIS OCCURRING AT YOUR STORE?
Look forward to it — 13. Do not look forward to it — 2. Don't know — 5.

2. WHAT ADVANTAGES DO YOU SEE IN BEING ABLE TO ORDER DIRECTLY FROM DISTRIBUTORS? Improved deliveries — 3. Improved patron service — 4. Less money tied up in inventory — 10. No advantages — 3.

3. WHAT POSSIBLE DISADVANTAGES DO YOU SEE FOR YOUR STORE BY PLACING ORDERS DIRECTLY? Higher prices — 1. More administrative work at store level — 1. "Not sure it's feasible" — 12. Not-in-stock situation will worsen — 2. See no disadvantages — 4.

4. A FACET OF DIRECT STORE DELIVERY INVOLVES UCS. ARE YOU KNOWLEDGEABLE ABOUT UCS — THE UNIFORM COMMUNICATIONS STANDARDS PROGRAM THAT WILL ALLOW "PAPERLESS ORDERING" BETWEEN THE COMMISSARY AND THE DISTRIBUTOR?
Yes — 10. No — 10.

(BY USING UCS, ORDERS AND OTHER INFORMATION ASSOCIATED WITH COMMISSARY BUYING AND ORDERING ARE TRANSMITTED VIA COMPUTER, RATHER THAN ON PAPER AND THROUGH THE MAILS). . . THE COMMISSARY'S COMPUTER CAN BE LINKED DIRECTLY TO THE DISTRIBUTOR'S. ALL A STORE NEED DO IS SCAN ITS SHELVES WITH A HAND-HELD DATA-ENTRY TERMINAL AND A DELIVERY ORDER CAN BE GENERATED BASED ON THE INFORMATION KEYED IN.
See story above for comments.

5. IF YOU HAVE HEARD OF UCS, WHERE DID YOU HEAR ABOUT IT?
Trade press — 2. ALA — 3. Headquarters — 5. Other managers — 3. Grapevine — 2. Have not heard of UCS — 5.

6. WHAT, IF ANYTHING, HAS YOUR HEADQUARTERS TOLD YOU ABOUT UCS OR AUTOMATED DIRECT STORE DELIVERY?
Nothing — 7. A little — 10. A lot — 3.

7. ONE OF THE IMPLICATIONS OF UCS COMING TO THE COMMISSARIES WOULD BE THAT MILREPS WOULD CHANGE THE NATURE OF THEIR SALES CALLS TO THE COMMISSARIES — DOING LESS INVENTORY TAKING AND ORDER WRITING AND MORE DISPLAY BUILDING AND SALES PRESENTATIONS. WHAT DO YOU THINK OF THIS?
See story above for comments.

8. HOW DO YOU THINK THIS WILL AFFECT YOUR BUSINESS WITH YOUR BROKERS?
Improve relationship — 7. Hurt the relationship — 8. No change — 5.

9. AS A STORE MANAGER, IS THERE A PARTICULAR AREA OF STORE OPERATIONS THAT YOU WOULD LIKE TO SEE AUTOMATED OR UPDATED?
Cash register scanning — 7. Warehouse/inventory — 5. Order systems — 8.

10. DC YOU THINK THE COMMISSARIES ARE LAGGING BEHIND CIVILIAN GROCERY STORES IN TECHNOLOGICAL ADVANCES?
Yes — 8. No — 12.

who made her debut four years ago and still breaks her sales records each year, will boast an even larger line in 1984. "Everything is new for Strawberry Shortcake — in both sizes and accessories, with lots of new friends and pets, such as the Party Pleasers and Sweet Sleepers collections in the Berry Happy Home," said Robertson.

The big news from Kenner is its Rose-Petal Place doll, with gossamer costumes and pastel hair. She will soon star in her own animated TV special. Buyers are also looking for big sales with two Hallmark Cards Inc. licenses — Mattel Inc.'s Rainbow Brite dolls and Kenner's Rose-Petal Place line.

A New Marketing Phenomenon

One of the big trends in the toy industry is licensing. Licensed products — items that take their theme or identity from movies, television shows and even greeting cards — have captured perhaps half of the U.S. toy market, said Douglas Thomson, TMA president. "Just five years ago, they represented 10 percent of sales or less."

Licensed products set the pace for the banner sales year achieved by the toy industry in 1983 and are expected to play an equally important merchandising role this year.

It should come as no surprise that the top license (and toy) of the year was the Cabbage Patch Kids doll. Co-

Get Johnny a Gun?

AFTER MORE than a 10-year hiatus, 1982 marked the year of the return of G.I. Joe and war toys in a big way.

G.I. Joe's 1983 sales surpassed their total 1982 sales record within the first six months of 1983, with sales of more than $50 million. After the '60s, and much of the controversy that surrounded the sale of violent toys, these toys are back with a vengeance. The sales of guns and toys have doubled nationwide from 1979 to 1982, to top $72 million for that year.

"War is a popular phenomenon again. After the disappearance of G.I. Joe for more than 10 years, we saw him emerge last year to be one of the top selling toys," says a spokesman for the National Coalition on Television Violence. "The Reagan folks have made war fashionable again," says Peggy Charren, president of Action for Children's Television. "Look at the clothes, the toys. It's everywhere."

The toy industry is clearly rearming. The policy of the '60s, the move away from the emphasis on war toys, is over. Sears reintroduced war toys into its catalogue in 1982. *Toys, Hobbies & Crafts* magazine encourages toy manufacturers to "Think Military!"

Should parents be concerned by this trend? Some leading child psychologists think so. "Parents tend to look at it as 'creative fun,' not violence," says a spokesman for NCTV, citing the following statistics:

CARTOON SHOW	VIOLENT ACTS/HOUR
Flash Gordon (NBC)	50
Bugs Bunny & Road Runner (CBS)	47
Incredible Hulk/Spiderman (NBC)	44
Popeye & Olive (CBS)	33
Pandemonium (CBS)	31
Sylvester & Tweety/Daffy (CBS)	24
Superfriends (ABC)	23
Scooby & Scrappy Doo (ABC)	21

SOURCE: NCTV, 1983 Monitoring

Leading child psychiatrists offer a strong argument by saying that making a game of mock armed conflict is a poor way to begin fostering an understanding within a child about the horror of shattered bodies, broken hearts and war. "A toy gun, as a gift from a parent, is an endorsement for the use of guns," says Ellen Smith of Alternatives to War Toys, a San Diego-based advocacy group. Stevanne Auerbach, a psychologist and president of the Institute for Childhood Resources in San Francisco, is also concerned with the trend toward military toys: "It's not just the guns; it's all that goes along with them — the reinforcement and acting out of violence."

NCTV is particularly disturbed about the amount of violence returning to television, especially in the area of children's programming. Five new Saturday morning cartoon shows are promoting different lines of action toys. For example, CBS has introduced "Dungeons & Dragons," which NCTV found to average 38 acts of violence per hour. Mattel's "He Man: Masters of the Universe" averages 78 violent acts per hour, the highest number the group has ever recorded.

The group will be asking Congress to act on legislation dealing with promotional TV ads that "equate violence with good entertainment."

"Advertisers are flooding kids with commercials that show kids having fun with violence. Hasbro, for instance, reported that the average five-to-eight-year-old boy saw 50 ads for G.I. Joe toys last year. The average child this year will see 300 or more ads promoting violent toys and over 1,000 ads promoting violent programs," says psychiatrist Thomas Radecki, chairman of NCTV.

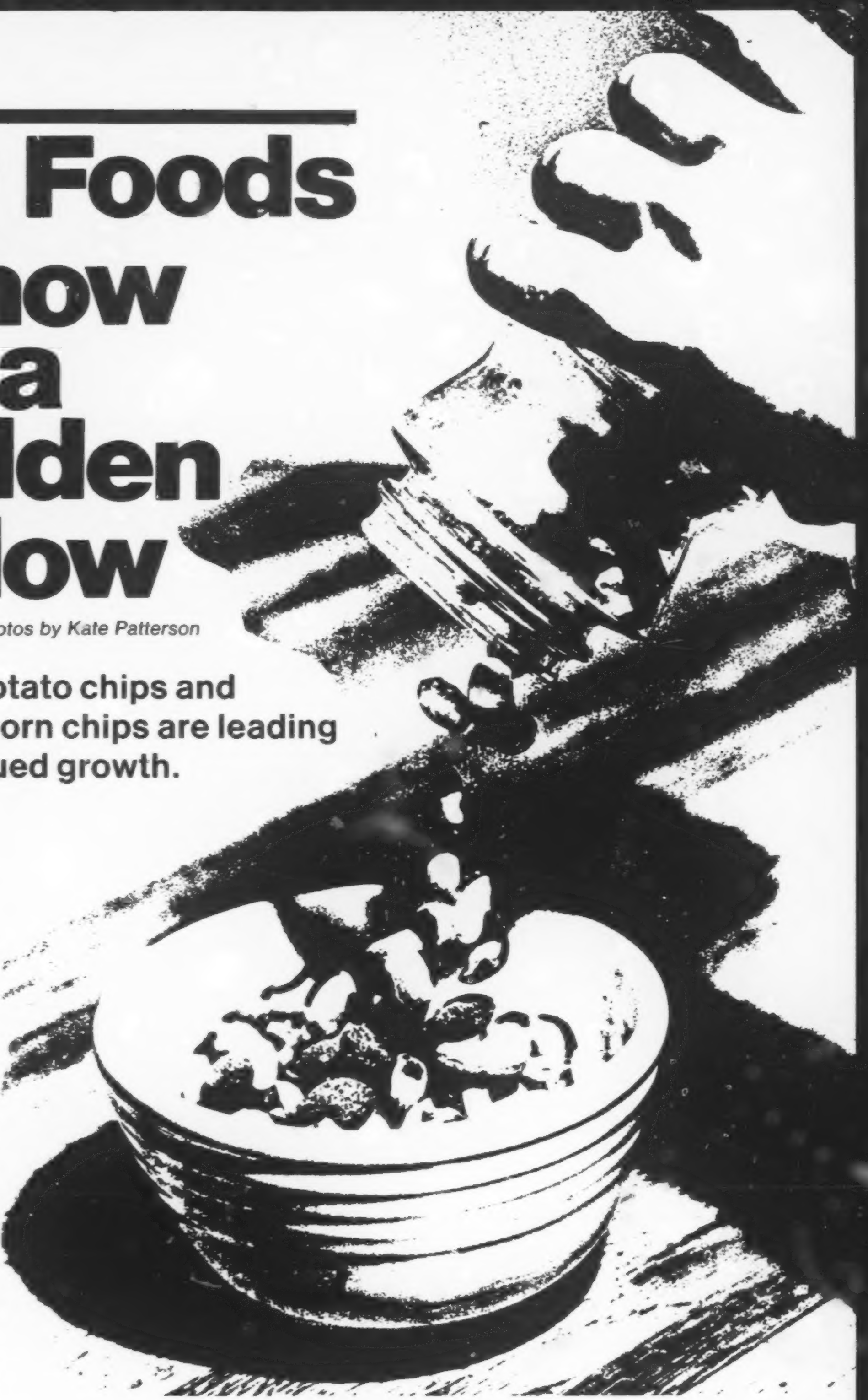
NCTV has proposed a law that would require the FCC to establish rules requiring counteradvertising. Specifically, for every three "violence-promoting" announcements and programs run, the nation's networks, local licensees, cable programmers and cable operators would have to make one public-service time slot available for the presentation of an oppposing point of view. NCTV is not overly optimistic that such a law will be considered by the FCC given its current mood of deregulation.

The group is also calling on church, educational and health groups to warn parents and children against the purchases of violent toys this coming Christmas, asking for a boycott of these products. The group is also urging a boycott of all toys produced by Mattel, which NCTV reports was the leading sponsor of Saturday morning violence in its most recent survey.

Radecki, NCTV's chairman, tells MILITARY MARKET that, "Despite 1972 and 1982 reports by the National Institute of Mental Health which demonstrate beyond doubt the causal relationship between violence on TV and violence in society, these programs directed at kids continue."

"America's broadcasters are being quite irresponsible in heavily advertising and promoting violence to America's children," he says. "The first TV generation has grown up to be the most violent adult generation of this century. We are promoting a barbarian warrior ethic where all problems are solved by the sword or cannon." — **J.B.**

Salty Foods Show a Golden Glow



Photos by Kate Patterson

New, crunchier potato chips and heavy volume in corn chips are leading the way to continued growth.

By DAVID B. COOLEY
Associate Editor

THE SALTED SNACK food market continued to grow at an estimated rate of more than 7 percent in units and 12 percent in dollars through 1983, and its growth shows no sign of slowing in 1984, say industry observers. Especially important is the corn and tortilla chip category, which outperformed the market as a whole and grew at an estimated 19 percent in unit sales in 1983.

Worldwide commissary sales were estimated at $80.7 million in CY 1982, the latest figures available. These figures show greater gain in the commissaries than the national industry figures for the entire salted snacks category in the same year — a dollar increase of 9.2 percent in the military food stores, while the snacks industry posted growth of 8.7 percent.

Commissary dollar increases in the nuts category (included in the $80.7 million) were much better than the industry as a whole, with an increase of 9.3 percent (estimated worldwide sales of $22.7 million). Industrywide sales of nuts were down 4.6 percent in dollar volume.

A host of companies is scrapping for chips of this $5.7 billion market, which is comprised of potato chips, corn and tortilla chips, nuts, meat snacks, pretzels, popcorn and other processed snack foods. But in the world of salted snacks, the lion's share is held by Frito-Lay Inc.

Frito-Lay enjoys 40 percent to 50 percent of the total salted snack food market, and some 80 percent to 85 percent of the corn and tortilla chip category, according to Joseph B. Morris, editor of *Chipper/Snacker* magazine, published by the Potato Chip/Snack Foods Association.

While Frito-Lay mass merchan-

dises to a national appetite for snacks, some of the medium-sized and smaller snack food companies cater to a particular ethnic market, such as spicy Mexican-style snacks. Many of these regional producers also make conventional or traditional snacks — potato chips, corn chips, pretzels, corn curls, etc.

The marketing efforts of these regional companies pay off. These scores — if not hundreds — of smaller, regional companies have extruded market segments big enough not just to survive on, but to thrive on. In many cases these are market segments (both geographic and product types) that Frito-Lay previously had targeted and won. "After Frito-Lay creates the market, here come the raiders," Morris says.

Prime target for the "raiders" is the lucrative and rapidly growing corn and tortilla chip market, says Morris. Mexican food is growing in popularity — Mexican food chains are coming in, and the Mexican food is corn-based, he says.

"The corn chip market is riding on the coattails of the Mexican food growth. The corn [chip] guys are coming up all over the place," he says.

Loyalties to these regional producers can be intense. For instance, in the Los Angeles marketing area — one of the largest in the country — there are about 70 regional producers of snack items within 150 miles of the city, according to Morris. He also points out that the Southwest is the "home" of the Mexican food movement in the country.

There is no clear-cut pattern in the proliferation of snack food producers, Morris says. "Some consolidation is going on, but it seems to come and go. Big companies buy up little ones, but later get out of it," he says.

Chips on Top

Frito-Lay does not stand idly by, watching others take over the snack food market. To maintain its market dominance, the company continues to examine new products — only a few of which ever get bagged and sold. The giant chip manufacturer's newest offering is a variation on its Ruffles brand potato chips — O'Gradys potato chips.

O'Gradys is a ridged potato chip, thicker than other ridged chips, which the company rolled out nationally in early February following a year-long test in Omaha. This is the first new potato chip product from Frito-Lay since Ruffles made its appearance in the mid-'60s, company sources say.

"It's a thicker potato chip, and it's extra crunchy because of the way it's cut," John Patrick, MSM at Frito-Lay tells MILITARY MARKET. Two years of research went into developing this chip, he says.

O'Gradys are initially available in eight-ounce and 12-ounce bags for the plain chips, and 7.5-ounce and 11.5-ounce bags for the au gratin. A 1½-ounce size for each flavor will come along later.

Au gratin O'Gradys are made with a cheddar cheese coating. "The deepness of the ridges cradles more cheddar cheese to give a good taste," says Ralph Berry, a company spokesman.

Why include au gratin at the outset? "Cheese-flavored chips are the fastest growing segment of snack chips," says Leo Kiely, vice president for marketing, "and au gratin will be able to tap that market." This is not the first time a potato chip has been made with a cheese flavor; earlier, and still in limited distribution, Frito-Lay marketed Lay's zesty cheese potato chips.

The O'Gradys au gratin flavor was developed to address a very strong consumer demand, Kiely says. Frito-Lay will back the launch with the largest new product budget in the company's history, he says.

Crunchy Chips: Heavy Marketing

Couponing will be an important promotional tool for O'Gradys as part of an initial promotional funding of about $25 million, a company spokesman tells MILITARY MARKET.

"Coupons will be in the Sunday papers and later in the military papers," Patrick says. In addition, the company supported a nationwide three-week TV advertising blitz in February, during which company officials estimated 95 percent of the population was exposed to O'Gradys. A lower profile of TV advertising will continue through most of 1984. Additionally, VPRs, in-store displays, POS material and on-package coupons will help to place O'Gradys in a dominant market position in months to come, Patrick says.

A viable product should gain and hold a retail share of at least $50 million without taking sales away from other Frito-Lay products, company officials say. "We expect O'Gradys to sell at $100 million," Patrick says.

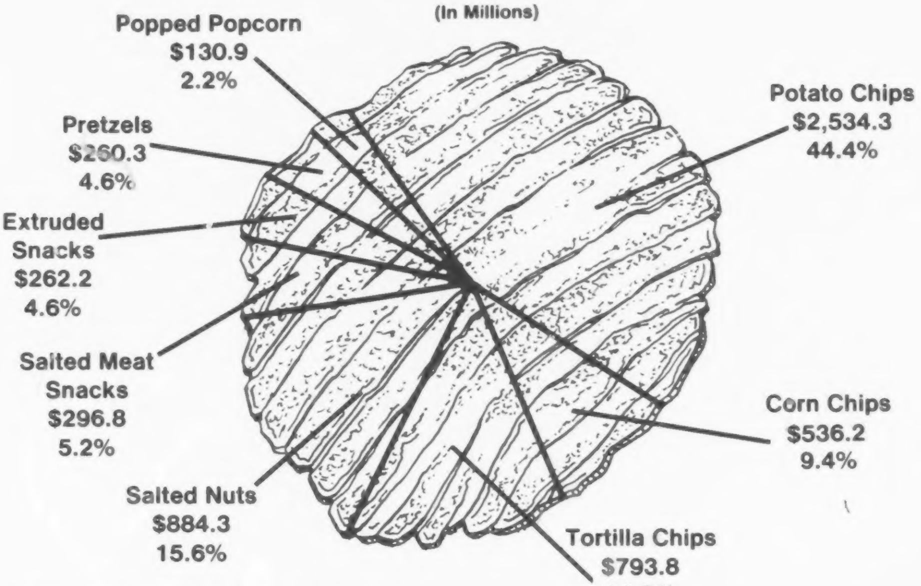
The best seller for one California company, Granny Goose Foods, is Hawaiian potato chips. These chips are made in the Hawaiian style — that is, they're greasier and thicker than most potato chips, according to MSM Bob Watry. They sell well in the military stores in California and Hawaii, he says. Typical of regional snack makers, Granny Goose distribution is limited to a defined geographic area. In this case, the area is the states of Hawaii and California. Military distribution is made overseas through a broker.

Granny Goose also makes "quite a few different items," Watry says, such as California-style potato chips, 100% Natural Chips, Native American-style potato chips, Traditional-Style Tortillos (overseas only) and tortilla chips with a package of powdered cheese inside that can be melted in a microwave or in a saucepan and poured over the chips. It recently added a San Francisco-style sourdough snack. This is a hard, French bread with "snack flavoring" on it, Watry says.

The products Granny Goose supplies to commissaries and exchanges on the West Coast are packaged in standard pliafilm bags, which have a shelf life of six to eight weeks, Watry says. Those being shipped overseas are packaged in foil bags, which give the products a five- to six-month shelf life, he says.

Notwithstanding the heavier,

CY 1982 Snack Food Sales Volume $5.696 Billion



SOURCE: International Potato Chip/Snack Food Association

greasier chips made by Granny Goose, nearly every snack producer MILITARY MARKET spoke with recently reports a product or a product group in the salt-free, low-salt and low-fat categories. Each company spokesperson has cited a relatively small but growing demand for these lighter snack foods by diet-conscious consumers.

Typical of these is the Borden Co. Borden's Wise brand has several snack foods in test market: Wise Lite-line potato chips, Lite-line nacho cheese tortilla chips and Lite-line baked cheese puffs. The company says all three have one-third less fat and fewer calories than regular versions of the same products.

Snacks in a Nutshell

"The supply [of peanuts] is right on target — there will be an adequate supply. [However], peanuts are planted in the spring — we don't know what the rest of 1984 will bring," says Perry A. Russ, president of the National Peanut Council.

Average peanut prices at the farm level (raw, in the shell) are estimated to remain stable at about 25 cents per pound in the 1983-84 season, according to George Hazera, economics researcher at the Department of Agriculture. The price paid farmers in 1982-83 averaged 25.1 cents per pound.

Peanuts aren't the only snack nut. Almonds — California's largest food export — will be plentiful this year, says Joanne Miller, MSM at California Almond Growers Exchange. "The boom is starting — the price should start coming down when this crop gets on the market [in September]," she says.

The company's Blue Diamond brand of almonds — which represents 55 percent of the almonds sold in the United States — has recently been supplemented with other nuts, Miller says. The new products — already on the Supply Bulletins — are hazelnuts, macadamias and pistachios, both red-dyed and blanched. The hazelnuts are available in 10-ounce cello packs — chopped, sliced or whole. The macadamias are in 5.25-ounce glass jars and a two-thirds-ounce foil packet. The pistachios come in six-ounce glass jars and an 11/16-ounce foil packet.

Nabisco Brands Inc. is tailoring its Planters brand of peanuts to include the low-calorie market with the introduction of Lite Peanuts in three jar sizes — 5¼-ounce, eight-ounce and 10½-ounce, in addition to its line of dry-roasted and oil-roasted nuts. Lite Peanuts are salted, but have one-third fewer calories and one-half less fat than the company's regular dry-roasted peanuts, says Nabisco spokeswoman Caroline Fee. They're in test market in the West and the Northeast, primarily Los Angeles and Boston. "They're doing great," she says.

Nabisco's Planters brand canister snacks — corn chips, pretzels, cornballs, cheese balls and cheese curls — have been on the market for a number of years in a seven-ounce size. The actual weight varies from 5.5-ounces for the corn balls to 7.5-ounces for the corn chips because the density is somewhat different among the snacks. All except the pretzels will soon be made in a family size, also — 80 percent larger (10-ounce to 13.5-ounce), Fee says. The larger canisters are in limited distribution now, and will probably be rolled out nationally later in the year, Fee says.

Other Nabisco snacks — Bueno Tortilla Chips, Nacho Cheese Chips, Chipsters, Corn Diggers, Flings and Mr. Salty Pretzels — are available in flexible packages. Another product, Corn Champs, will be added soon, she says.

Nabisco and Standard Brands merged during 1983 so the combined company now manufactures two different lines of salted snacks. The canister snacks carry the Planters name and will continue to do so, Fee says. The flexible package snacks have the Nabisco red triangle logo to identify them. Current plans do not call for any changes in the labels.

Though its variety of snack food offerings is considerable, Nabisco doesn't market potato chips, and doesn't plan to do so in the foreseeable future. The company seems to defy an industry standard as stated by *Chipper/Snacker's* Morris: "If you're going to be in the snack food business, you've just about got to have potato chips." Nabisco makes Chipsters, an extruded potato snack, but no chips.

Popcorn Butters Up Sales

"There is an increase in the consumption of popcorn and it's because of an increase in consumer demand for premium popcorn," says James Fowler, vice president and marketing director at the American Popcorn Co. "We're doing a better job selling premium popcorn — the 15-ounce white and yellow popcorn in a reusable plastic jar," he says.

Premium or gourmet popcorn is a hybrid corn that pops into a tender, appealing product, Fowler says. It has a moisture content of 13½ percent so that it pops uniformly. To further ensure uniform popping, only the center kernels on the cob are used — the "choice" kernels. If they are used exclusively, the result will be popped kernels with a more even size and texture, he says.

Field-run popcorn usually has a moisture content of about 16 percent to 17 percent when it is received at the mill, and the size varies from the smallest to the largest on the ears, he says. Appropriate storage and gravity-screening techniques are used to obtain only the best kernels as premium popcorn. The larger and smaller popcorn kernels are sold whole as packaged feed for pigeons, or are ground up as livestock and poultry feed, he says.

Regular popcorn is usually shelled in the field and heat-dried instead of being allowed to dry naturally over a period of time. In processing premium-grade popcorn, the corncobs (with the kernels intact) are stored for the months of drying. By leaving the kernels on the cob, the cob acts as a wick in drying the kernels over a period of time, he says.

Currently, there is a very short supply of popcorn, and prices may go up, says Fowler. "Next summer you will have higher prices again. Even when the supply is not so short, the prices tend to go up if the value of other grains goes up." He explains this apparent paradox as he tells MILITARY MARKET that the farmer has to make as much on popcorn as on any other crop. "If he can't, he won't grow it," he says.

Why do consumers demand premium grade popcorn and why are they willing to pay a higher price for it? Put simply, they want evenly popped kernels, and they want all of them to pop, Fowler says. So the secret in producing premium popcorn is to start with a good hybrid corn and ensure an optimum moisture content in the kernels, he says.

Popcorn is a family snack food, say officials at Hunt-Wesson Foods Inc., makers of Orville Redenbacher gourmet popping corn. About 60 percent of popcorn consumption is in the home, and of that amount approximately 85 percent is popped on the premises. About 30 percent is consumed in public places, such as movie theaters, zoos, ball parks and at other sporting events. The final 10 percent of comsumption the company considers as miscellaneous — some is exported, used for decoration, as packing material, etc.

Hunt-Wesson vacuum packs its gourmet popping corn in glass jars — 15-ounce and 30-ounce sizes. The jars are fitted with air-tight, screw-on lids so that the popcorn will maintain its proper moisture content while in transit, storage or in the consumer's cupboard.

New in the TV Time popcorn line at McCormick & Co. are three gourmet popcorns — a white, a yellow and a yellow variety especially processed to be popped in hot air poppers. The highest demand for the white gourmet corn is in Minnesota, the area where it is grown. The yellow and the hot air varieties are popular nationwide, says Mary Randisi, brand manager at McCormick.

The hot-air popcorn has a slightly lower moisture content (12.5 percent to 13.5 percent) than conventional or gourmet popping corn, which is generally around 13.5 percent. The reason for this difference is the constricted nature of hot air poppers. The corn is heated only a small amount at a time so that it won't jam the machine as it pops. In this way, the popping occurs at a somewhat slower velocity — that is, the kernels are heated in sequence, not heated simultaneously as they are in a hot-oil popper, Randisi says.

TV Time cheese-flavored popcorns are doing fine in the commissaries, says Randisi, and the company is "still considering a caramel flavor, too."

Pretzel Eaters: A Loyal Group

Pretzels comprise less than five percent of the dollar value of all the salted snacks purchased in the country. Still, it is estimated that more than 250 million pounds are consumed each year, according to Michele Madonna, executive secretary at the National Pretzel Bakers Institute. Pretzels tend to be a very regional item, and the region that eats the most of them is the Northeast. The pretzel center of the country is Lancaster, Pa. Frito-Lay with its Rold Gold pretzels and Nabisco with its Mr. Salty pretzels are the two big national producers in a market segment dominated by regional companies.

Pretzels have a unique allegiance of fans throughout the United States and almost 80 percent of pretzel sales are made to consumers who consider themselves heavy users, according to a recent survey, Madonna says.

Crunch and flavor are still the fundamental reasons for the continued popularity of the world's oldest snack food [since A.D. 600], she says.

But another reason for dedication to the snack is its low-calorie content. She tells MILITARY MARKET that a one-ounce handful of twisted, three-ring pretzels — about 10 of them — would be only 117 calories.

Though low in calories and fats (and having no sugar at all), the sodium content in pretzels is rather high. Madonna reports that a number of companies have produced a low-salt pretzel, but their acceptance has been slow among consumers. A number of smaller companies producing them have since discontinued baking them because of slow sales performance, she says. Sales of salt-free pretzels are best in the Northeast, especially in the Jewish community, she says. And despite the hesitation of some bakers, "There are more [salt-free] pretzels on the market now than ever before," she says.

On the other end of the scale are pretzels with more than the usual amount of salt. Keystone Pretzel Bakery Inc., a regional producer in Lancaster, currently makes extra salty pretzels "for those individuals who are not concerned about their salt intake," says John Skee, operations manager at Keystone.

He emphasizes the highly nutritional aspect of pretzels in general — usually made from whole-wheat flour — and their appeal to people who like salt. "The salt is on the outside where you can see it. The individual makes a choice whether to eat it or not," he says.

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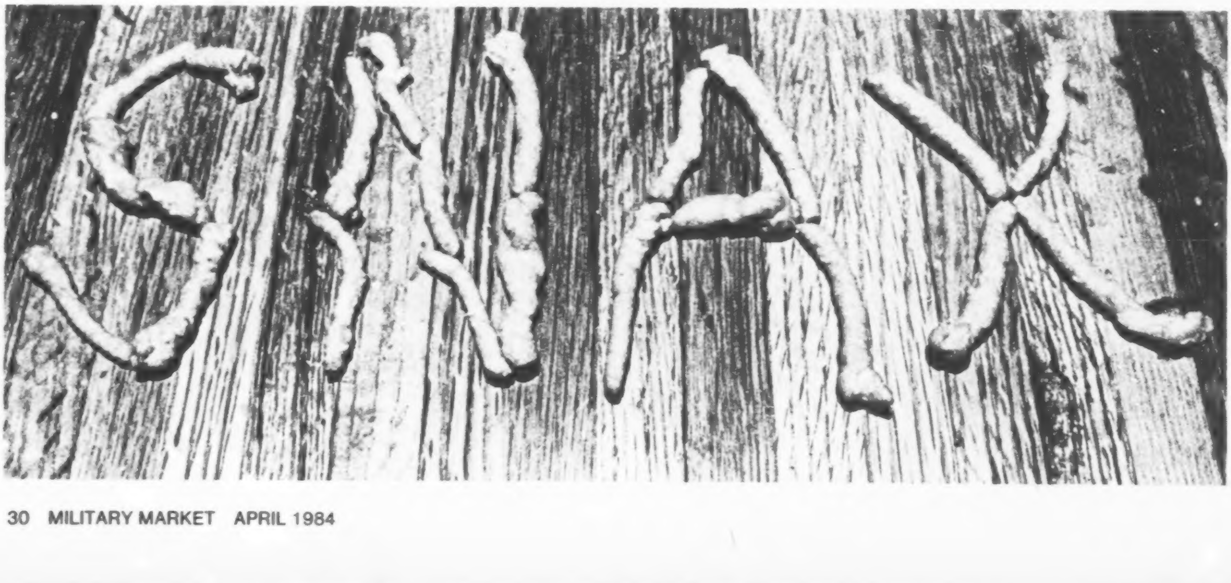

street. We recognize that the milrep community fulfills a real need within the exchange service. We don't always make the right buying decisions, and we look to the milreps for help, whether that means with stock balance, returns, promotions or just basic merchandising. The milrep should offer more than just filling out a purchase order."

Some remarks by milreps were glowing compliments to the Marines' system. "I think the Marine Corps does the best job of any resale agency, hands down," says another milrep.

"They always seem to have the money, and they are prompt in their pay, unlike the Navy, which may come up to you in August and say, 'We have no more money to buy.' "

Another milrep chimes in, "The Marine Corps is an individual base operation — we deal with them at the local level. It's a whole different world than AAFES or NAVRESSO. I believe that the other systems are too far removed from what is going on at the store level. Don't you think that the person at the store level knows what's best for their store better than someone sitting behind a desk in Dallas or Fort Wadsworth?"

AFCOMS

"All the resale systems should be as easy to get along with as AFCOMS," beams a Dallas-based milrep company president. "They have always been very forward-looking in their thinking and on top of things."

But there are weeds in the Garden of Eden. More than a couple of milreps point out that there's a need for improvement in handling receipts.

One milrep offered this sad tale: "The waiting time at some AFCOMS delivery points is a real problem. What is worse is being closed out after waiting to get unloaded or being turned away, based on too many trucks waiting."

Another milrep tells MILITARY MARKET that his firm has been penalized for trucks waiting to be unloaded by AFCOMS personnel. He had also incurred additional shipping charges for wrong items shipped by the manufacturer, received by AFCOMS, and then forced to be returned by AFCOMS. "Because an order is rejected for whatever reason, I don't feel it is right for AFCOMS to charge a manufacturer $100 for a redelivery," laments the West Coast-based milrep company president.

Other milreps report related distribution problems: "Perishables distributors are overcharging drayage for delivery to AFCOMS as a result of some of this. In addition, distributors want consigned merchandise, but many manufacturers are not willing to put merchandise in on a consigned basis."

One distributor tells MILITARY MARKET that he was required to pull a partially unloaded truck away from an AFCOMS loading dock to allow a common carrier to off-load first. "And then there are the unscheduled deliveries which you have to contend with, or deliveries changed at the last minute without prior notification. Everyone is supposed to have an appointment to unload their truck, and sometimes they try and squeeze in an unscheduled delivery, and that throws everyone off," he explains.

But "excess waiting or rescheduled delivery appointments should be the exception rather than the rule," says Bill Moran, AFCOMS' director of operations.

AFCOMS is concerned about reports that there are delivery problems at some stores. Says Moran: "We solicit industry's help in identifying these problems as they occur so that they can be promptly corrected. We encourage anyone encountering this type of attitude or action to bring it to the attention of top management at AFCOMS."

The perennial question of store-level merchandise selection also rears its head. Milreps still think it could be better. One of the most novel suggestions received by MILITARY MARKET regarding AFCOMS stores was from this milrep, who suggests, "I'd like to see them let the store managers and their wives shop in the commissary. Then they would be forced to see how woeful some of the brand choices and selections really are."

Despite the occasional complaints from reps, AFCOMS is high on the rep business. "Since AFCOMS was formed in April 1976, we have recognized the importance of milreps and have demonstrated this in a liberal open-door policy. At ALA meetings and in private conversations we have always been totally candid with industry representatives and have actively solicited them to bring their problems to us for solution," Moran says.

AFCOMS' position "has always been to resolve problems at the lowest levels and encourage escalation if the problem wasn't promptly solved. We have always had a great relationship with industry, maintaining a high ethical and professional standard of conduct," he says.

"The milrep business is a vital part of our business [and] much of the success we have enjoyed as a command is due to dedicated efforts of those in industry in support of our programs," he concludes.

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Uniform Communications System: No Need for Anxiety

By GUY LAMOLINARA
Managing Editor

COMPUTERS: The bane and downfall of countless workers are emerging in the commissary business in a way that will probably change forever the way most reps make their business calls.

Some milrep companies are fearful that these changes will kill their business. But many, and especially those that are familiar with the system and understand its implications, are actually excited about the Uniform Communications System. Under UCS, commissaries will interface via computer directly with distributors to place delivery orders.

UCS "will be as big as the UPC" in terms of its importance to the industry, believes Carl Eckstein, manager of information services for Francois L. Schwarz, a milrep firm. In fact, the Universal Product Code Commission and the Transportation Data Coordinating Committee, which is developing the standards, have teamed together on the UCS project. As a result, UPCs will be used as product identifiers in the UCS system.

What is UCS?

According to Paul Kelly, vice president for marketing at the Grocery Manufacturers of America Inc., UCS is a "set of standards for routine repetitive business messages that enables computer-to-computer communications." By using UCS, orders and other information associated with the process are transmitted via computer, rather than on paper and through the mails.

UCS does not change the type of information that is being used in order processing — it merely standardizes the methods of processing. It can be likened to a standard computer "form," in which all information is keyed in the same way and in the same place for all transactions.

Such a system, once it is in place in the commissaries, will let a store manager place orders without going through a broker. A store's minicomputer can be linked directly to a distributor's. It will not be necessary to contact a milrep every time a store needs additional product. All a store need do is scan its shelves with a hand-held data-entry terminal and an order will be generated based on the information keyed in.

Although the commissary systems are not currently using UCS, its use in the civilian sector is "somewhat widespread," says Kelly, who describes the technology as being "in the middle stages of development." About 50 major supermarket companies are pilot testing the system, he tells MILITARY MARKET. "Longterm, it will become the method of the future," he says.

'Anxiety Must Be Eliminated'

Whether milreps need to be concerned about UCS and direct store delivery creating a smaller role for them in the commissary business is still a bone for contention, but industry and association officials contacted by MILITARY MARKET are not overly concerned.

"One of ALA's biggest chores is to educate the milreps that there is no threat," A. Kolbet Schrichte, executive vice president of the American Logistics Association, says. "That anxiety must be eliminated."

An Arthur D. Little study confirms that "the proposed grocery industry Uniform Communications System is economically attractive to *all* [emphasis added] industry segments," and this, it says, includes brokers as well as distributors and grocers.

In an effort to stem the tide of uncertainty in the milrep community, ALA held a UCS seminar on Feb. 29 and March 1. "This whole process [UCS], from the viewpoint of the sales rep, is a tremendous opportunity. Anyone can use the data-entry terminal and its use literally replaces hundreds of pieces of paper. It frees the milrep to do what he does best — sell," Schrichte says.

"UCS is not meant to affect the relationship between the buyer and the broker," Patrick Hlubik, a spokesman for Nabisco Brands USA tells MILITARY MARKET. "If the broker has a function [in the commissary] prior to UCS, it still has to be done after UCS," he says.

And those who attended the ALA seminar were also assured of the advantages of UCS. "We don't see it reducing the role of milreps," Thomas E. Joyner, corporate director of management information services for V.H. Monette, a military sales broker, says. "UCS will cut down on the duplication of efforts," he tells MILITARY MARKET.

"We plan on going with this [UCS]. It will save a lot of money," says Schwarz's Eckstein. Although it is still too early to predict when UCS will be available for widespread use, Eckstein says it possibly may be sometime this year.

Even officials from the commissary systems, who could have much to gain by foregoing milreps (manufacturers could conceivably pass on to commissaries the savings of not having to pay the reps a commission, as is suggested by AAFES), do not predict the reps' dreaded downfall. AFCOMS' Bill Moran, director of operations, and Marshall Atcheson, Gulf Area complex director, say that brokers "absolutely [will not be reduced in importance]. They still have a tremendous role to play."

The AFCOMS officials eagerly await UCS. Reasons: "We should be able to reduce inventory levels and *eventually*," they stress, "reduce out-of-stocks. Man-hours will also be saved, not only for AFCOMS but also for the milreps. There'll be approximately 3,000 items the milreps won't have to inventory any more." It will be possible to inventory items with the hand-helds.

Honing Competition

If anything, the implementation of UCS may heighten the milreps' role. "It will hone competition among milrep companies," Schrichte says. It would be foolish and costly for manufacturers to sidestep their brokers or inside sales reps in favor of doing business solely with a distributor, Schrichte believes.

If a company is represented by "little more than a blank screen," says Schrichte, "it won't sell as much [as the company with sales reps out in the field promoting the products]. Most companies have already realized this. You can't shrink the sales force. UCS only changes the *nature* of the salesperson's job.

"The distributor isn't equipped to do what a milrep does," he adds.

Representatives from each of the resale systems and from industry have agreed to jointly form a task force so that once UCS is feasible for widespread use, the military won't be left behind in the proverbial computer-chip dust. As it stands now, "the commercial world isn't that far ahead of us," Schrichte says.

"The services must have a standard reference program right now. There has been increasing pressure for some sort of standardization," he says.

"Today, a broker has to cope with the fact that every manufacturer has its own format" for orders, Peggy Barry, vice president, marketing manager, for S & K Sales, a military sales broker. Also, each military service has its own formats. The broker is the middle man in this process of order exchange and deals with many manufacturers. So when UCS gets well under way, "the broker will therefore find it easier to transmit orders to the manufacturers it deals with," she tells MILITARY MARKET.

Rather than being wary of direct ordering by stores to the manufacturer or distributor, Barry sees the process positively: It will be especially advantageous if "we can get the military to go to the UCS format, and therefore have the order transmitted from the military account directly to the manufacturer.

"Some brokers won't like this because they want to see every order to make sure they get all their commissions." But studies have shown that manufacturers don't cheat on their commissions; 90 percent of the brokers won't have a problem with this direct military/manufacturer interface on orders, she says.

According to Barry, the major UCS benefits are increased speed in transmitting orders, bypassing of the intermediate step of going through a broker and giving salespeople more time to do what only they can do — sell.

'Salespeople Waste Time'

The Arthur D. Little report estimates that 20 percent of manufacturers and distributors, accounting for 70 percent of industry volume, will participate in UCS within three to five years of the system's introduction. It is also estimated that each participant will be able to handle 70 percent of all transactions this way; this will mean that overall, 50 percent of all industry transactions will be through UCS.

Direct savings for the industry — brokers, manufacturers and distributors — could climb as high as $83.9 million per year. Indirect benefits from such transactions as direct store delivery, something the report did not research, could nearly triple the direct savings *(See chart).*

Moreover, UCS does not require an expensive setup, Nabisco Brands' Hlubik says. "And the costs are getting smaller."

Also small will be the costs of transmitting the data. "Typical EDI [electronic data input] messages will be short (e.g., 500 to 1,000 characters) and the total time required for a typical firm to transmit and receive messages will only be a few hours per week."

In the military, people waste a lot of time preparing orders, says S & K's Barry. Now "the biggest problem is that 75 percent of a salesperson's time is taken up with administrative things — writing orders, checking pricing and so forth . . . If they didn't have to do these types of things, then the salespeople could do things like build displays and actually sell products," Barry says.

'It's Going Into Effect'

In addition to UCS (and in some cases a byproduct of its use) is direct store delivery — another upcoming innovation. Currently, NAVRESSO is testing the feasibility of DSD at NAS Miramar and North Island, Calif., and AFCOMS is doing it at Eglin AFB, Fla.

Under the test, data are transmitted electronically from the commissary to the distributor, bypassing the milrep who would normally take the order and send it to its distributor. Currently, there is no standard format for transmitting this information, and that is another area where UCS will come in. When UCS is used in conjunction with direct store delivery, the process will become standardized, enabling all stores and distributors to use the same system.

NAVRESSO's test with the distribution firm of A.M. Lewis began last Dec. 19 and was scheduled to run for 60 days. According to Public Affairs Officer John Russas, "The test was successful in the first two stores [tested]. It was expanded to three more stores in the San Diego region on March 5": NAS 32nd Street, NTC San Diego and NAF El Centro. Russas assures that direct store delivery "will not affect brokers. There is no change in the relationship with the military brokers.

AFCOMS is also looking at the results of its still ongoing test, which also began last December. "We will take a look at each store to make sure it will work. Because of geographical location of some of the stores, it may not be possible," say Moran and Atcheson. "We're anticipating expansion on a case-by-case basis."

For many, there is no doubt that UCS will become a permanent fixture in their business operations. It's "an idea that's going to go into effect," S & K's Barry says.

Schwarz's Eckstein agrees, adding, "But the bigger you are, the harder it is to change."

NET INDUSTRY SAVINGS

(50 percent of all trancactions through system
($ in millions per year)

	Distributor	Broker	Manufacturer	Total
Direct savings	$30.7	$17.4	$35.8	$83.9
Operating Cost	$4.3	$4.8	$6.7	$15.8
Net direct savings	$26.4	$12.6	$29.1	$68.1
Indirect savings	$53-$98	$12-$26	$63-$132	$128-$256
Total potential savings	$80-$125	$24-$38	$92-$161	$196-$324

SOURCE: Arthur D. Little Inc.

MILREPS: SOME SURPRISING DEMOGRAPHICS

INCLUDED WITH the request for information for this year's MILITARY MARKET Milrep Directory was a questionnaire designed to gather some insights and statistical data about the milrep trade and its problems.

Seventy milrep companies, brokers and distributors (out of almost 300) sent back the questionnaire, which asked questions about the nature of their businesses, the changes they had seen in the systems since they began working with them, and problems they have with the resale agencies.

Many of their comments, grievances and suggestions were used in compiling the accompanying report. The companies that wished to talk further about their situations were contacted individually by MILITARY MARKET; their anonymity has been expressly protected throughout the accompanying article.

Besides this information, other data were collected, and some of that appears below. Noteworthy is the length of time the majority of the respondents (generally company presidents and board chairmen) have been working in the resale business. — J.B.

1. DO YOU DEAL WITH COMMISSARIES, EXCHANGES, OR BOTH? Exchanges only — 32. Commissaries only — 10. Both — 28.

2. DO YOU PRIMARILY DEAL WITH THE SYSTEMS AT THE HEADQUARTERS, REGION/COMPLEX OR STORE LEVEL? Headquarters — 20. Region/complex — 29. Store — 21.

3. HOW LONG HAVE YOU BEEN INVOLVED IN THE MILREP BUSINESS? 1-5 years — 4. 5-10 years — 3. 10-20 years — 20. 20-30 years — 18. 30+ years — 25.

4. DID YOU WORK FOR ONE OF THE RESALE AGENCIES BEFORE YOU BEGAN WORKING AS A MILREP? Yes — 14. No — 56.

Military Market index

Commissaries

		DECEMBER			YEAR-TO-DATE		
		CY'83	CY'82	%	CY'83	CY'82	%
Air Force	CONUS	$162,220	$161,319	+0.56	$1,767,640	$1,679,697	+5.24
	OVERSEAS	33,195	33,171	+0.07	352,091	337,701	+4.26
	TOTAL	**195,415**	**194,490**	**+0.48**	**2,119,731**	**2,017,398**	**+5.07**
Army	CONUS	122,955	100,776	+22.01	1,262,192	1,205,880	+4.67
	OVERSEAS	30,135	31,408	-4.05	390,559	359,736	+8.57
	TOTAL	**153,090**	**132,184**	**+15.82**	**1,652,751**	**1,565,616**	**+5.57**
Navy	CONUS	73,089	63,285	+15.49	675,068	622,583	+8.43
	OVERSEAS	8,755	7,321	+19.59	78,307	72,840	+7.51
	TOTAL	**81,844**	**70,606**	**+15.92**	**753,375**	**695,423**	**+8.33**
Marines	CONUS	13,938	12,709	+9.67	140,920	132,164	+6.63
	OVERSEAS	241	236	+2.12	2,328	2,198	+5.91
	TOTAL	**14,179**	**12,945**	**+9.53**	**143,248**	**134,362**	**+6.61**
Coast Guard	CONUS	330	251	+31.47	3,533	3,233	+9.28
	OVERSEAS	236	246	-4.07	2,399	2,400	-0.04
	TOTAL	**566**	**497**	**+13.88**	**5,932**	**5,633**	**+5.31**
All Commissaries	CONUS	372,532	338,340	+10.11	3,849,353	3,643,557	+5.65
	OVERSEAS	72,562	72,382	+0.25	825,684	774,875	+6.56
	TOTAL	**$445,094**	**$410,722**	**+8.37**	**$4,675,037**	**$4,418,432**	**+5.81**
Grocery Stores	U.S.[1]	**$22.936 bil.**	**$22.052 bil.**	**+4.01**	**$247.628 bil.**	**$236.489 bil.**	**+4.71**

Exchanges

		DECEMBER			YEAR-TO-DATE		
		CY'83	CY'82	%	CY'83	CY'82	%
AAFES	CONUS	$322,458	$307,986	+4.70	$2,821,031	$2,725,972	+3.49
	OVERSEAS	183,681	187,226	-1.89	1,862,325	1,826,644	+1.95
	TOTAL	**506,139**	**495,212**	**+2.21**	**4,683,356**	**4,552,616**	**+2.87**
Navy	CONUS[2]	112,802	115,371	-2.23	1,055,069	1,050,090	+0.47
	OVERSEAS[2]	44,601	44,265	+0.76	443,757	421,857	+5.19
	TOTAL[2]	**157,403**	**159,636**	**-1.40**	**1,498,826**	**1,471,947**	**+1.83**
Marines	CONUS	35,984	34,986	+2.85	342,983	341,784	+0.35
	OVERSEAS	5,681	5,899	-3.70	56,185	56,673	-0.86
	TOTAL	**41,665**	**40,885**	**+1.91**	**399,168**	**398,457**	**+0.18**
Coast Guard	CONUS[3]	8,394	8,409	-0.18	75,277	74,301	+1.31
	OVERSEAS[3]	1,145	938	+22.07	10,265	8,283	+23.93
	TOTAL[3]	**9,539**	**9,347**	**+2.05**	**85,542**	**82,584**	**+3.58**
Mail Order	CONUS[4]	2,598	1,983	+31.01	16,149	14,143	+14.18
	OVERSEAS[4]	5,776	5,282	+9.35	47,319	47,023	+0.63
	TOTAL[4]	**8,374**	**7,265**	**+15.26**	**63,468**	**61,166**	**+3.76**
All Exchanges	CONUS	482,236	468,735	+2.88	4,310,509	4,206,290	+2.48
	OVERSEAS	240,884	243,610	-1.12	2,419,851	2,360,480	+2.52
	TOTAL	**$723,120**	**$712,345**	**+1.51**	**$6,730,360**	**$6,566,770**	**+2.49**
Department Stores	U.S.[1]	**$18.872 bil.**	**$17.149 bil.**	**+10.05**	**$115.834 bil.**	**$107.030 bil.**	**+8.23**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY MAY 1984 $2.00

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Military Market serving the military retail system

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Military Market
survey

Shoppers Snap-Up Cameras

Fast focus on fast film

CUSTOMERS IN PHOTO departments are taking advantage of the newest technologies by buying lots of 35mm cameras with bells and whistles, said the department managers surveyed this month. Fast colorprint film — ASA 400 — is the best-selling film in the exchanges, according to the seven Army, five Air Force, six Navy and two Marine exchange managers MILITARY MARKET surveyed.

One of the ongoing problems facing the photo departments appears to be hiring knowledgeable salespeople, and then keeping them adequately trained on a continuing basis. "The more they [the salespeople] know, the more of the expensive cameras they sell," said one manager. But not everybody is so optimistic: 12 of the 20 photo department managers surveyed said they felt their salespeople wouldn't sell more sophisticated cameras even if they were better trained.

"We don't pay enough," said one manager. "One salesperson has been here a long time, but others we hire don't stay long."

Sixteen of the managers contacted consider outside sales training by the camera manufacturers to be very useful. Several commented that these training sessions just don't happen often enough. "There's too much information in too short a time," said one manager. "Once a year is not enough."

"The training is invaluable," said another manager. "I learn a lot from the reps."

The sales rep doesn't always hold training sessions, but he tries to pass information along to anyone who needs it on his visits, said a photo department manager who gets monthly visits from a large camera manufacturer's rep. "He does pretty good. He's always open to questions," she said.

Nine of the managers surveyed felt the assistance offered by their exchange headquarters is also of value for their sales people, but again, the follow-up comment by five of them was that they don't get this kind of training often enough. Several managers were pleased with the sales training videotapes made available to AAFES exchanges, but two managers lamented that the information was sometimes old and of limited value.

Film and photofinishing are generally recognized as important profit centers for exchanges. "Film sales are good for all categories," said one manager. Colorprint 35 mm film was named as the best-seller by 16 of the managers surveyed. Only three mentioned black-and-white film as moving well, and most of that was sold to photo hobbyists rather than to the casual photographer.

Half of the managers surveyed said they would welcome an on-site minilab photoprocessor; eight said they did not want one and two managers were undecided.

Of those in favor, one Navy manager said, "It would really help us to have one in personalized services."

On the negative side, a Navy manager prefered to send out the photofinishing — "It causes less confusion." "No, we have enough to do as it is," said another.

"The cost of the service is rather prohibitive for the customer," said one. One manager felt the whole idea of rush service is unwarranted. "They drop off their film and pick it up on payday," he said.

Only eight photo department managers surveyed were familiar with the "gray market" in cameras. (These are discounted name-brand cameras that some civilian stores obtain through unauthorized sources.) However, 15 of the managers surveyed said civilian stores in their local area charge less for some camera models than their exchange does. All but one of the people contacted were aware that the discounters occasionally advertise cameras at prices lower than those in the exchange, but most of the exchanges surveyed have a "meet their price" or "never undersold" policy. "You get loss-leaders out there, so you have to be careful," one manager said.

Base-distributed flyers, announcements, specials, photo workshops and clinics where customers can get cameras cleaned by manufacturers are some of the methods the managers said are effective in keeping camera sales strong. The sales philosophy of one Navy manager was simple. "We have the camera of the month. We let them sell themselves."

MM

1 — WHAT TYPES OF CAMERAS SELL BEST IN YOUR STORE? SLR (35mm single lens reflex) — 11. 35mm automatic — 6. Instant — 4. Disc — 3. 110 — 0. Don't know — 1.*

2 — WHAT FILMS SELL BEST? VR100 — 5. VR200 — 4. VR400 — 9. VR1000 — 2. Black and white — 3. Don't know — 1.* **WHAT SIZES?** 35mm — 16. 110 — 4. Disc — 2. Instant — 1.*

3 — HOW DIFFICULT IS IT TO HIRE AND RETAIN SALESPEOPLE WHO ARE KNOWLEDGEABLE IN CAMERAS? Very difficult — 4. Difficult — 3. Slightly difficult — 1. Fairly easy — 9. Easy — 2. Don't know — 1.

4 — DO YOU THINK THAT WITH BETTER-TRAINED SALESPEOPLE, YOU COULD SELL MORE SOPHISTICATED CAMERAS? Yes — 7. No — 12. Don't know — 1.

5 — OF WHAT VALUE IS THE TRAINING CONDUCTED BY THE CAMERA COMPANIES? Valuable or very valuable — 16. Not very valuable — 3. Don't see them often enough — 6. Don't know — 1.*

6 — OF WHAT VALUE IS THE TRAINING PROVIDED BY YOUR HEADQUARTERS PEOPLE? Valuable or very valuable — 9. Not very valuable — 4. Not always up-to-date — 2. Don't see them often enough — 5.

7 — DO YOU OFFER PHOTOFINISHING IN THE PHOTO DEPARTMENT? Yes — 11. No — 9. **IS THE WORK DONE ON-SITE?** Yes — 1. No — 19.

8 — IF YOUR PHOTOFINISHING IS CONTRACTED OUT, WOULD YOU LIKE TO SEE YOUR STORE ACQUIRE A ONE-HOUR MINILAB PHOTO PROCESSOR? WHY OR WHY NOT? Yes — 10. No — 8. Don't know — 2. (See story.)

9 — WHAT HAVE YOU HEARD ABOUT THE GRAY MARKET IN CAMERAS? Little or nothing — 12. They're cheaper — 2. It's a problem — 4. Difficulties in getting manufacturers to do warranty work — 2.

10 — DO YOU HAVE CIVILIAN RETAILERS IN YOUR LOCAL AREA THAT CHARGE LESS FOR SOME MODELS OF FOREIGN-MADE CAMERAS THAN YOUR EXCHANGE CHARGES? Yes — 15. No. — 4. Don't Know — 1.

11 — DO YOU THINK CAMERA SALES AT THESE RETAILERS ARE HURTING YOUR CAMERA SALES? IF SO, TO WHAT EXTENT? Yes — 6. No — 13. Don't know — 1. (See story.)

12 — WHAT CAN YOU DO — OR WHAT DO YOU DO — TO KEEP POTENTIAL CAMERA BUYERS ON BASE? Monthly or weekly camera specials — 9. Advertise with base flyers, handouts or announcements — 11. Never undersold policy — 4. Knowledgeable salespeople/demos — 6. Workshops or clinics — 2. In-store displays — 1. Be in-stock in cameras and accessories — 1. 45-day return policy — 1.*

*Does not add to 20 because of multiple responses.

Slugging It Out in Beverages

Sweeteners Make the Difference

Brewers steep their markets with macho image appeals as soft drink makers go on a diet.

By DAVID B. COOLEY
Associate Editor

THE NATION'S BREWERS are slugging it out for shares of a man's market where growth is less than 1 percent and most of the buying is done by women.

It's not that men don't drink beer. They do — and plenty of it. It's just that most beer drinking is done at home, and in most households it is more convenient for the wives to buy it when they do the family shopping, says one industry analyst.

Analysts agree that the man of the house is very specific as to which brand he wants to drink, and the breweries spend huge sums on advertising in order to influence that decision. Beer drinking among women is increasing, but no producer wants to be known as making a "woman's beer," although the U.S. Brewers Association estimates that women consume 20 percent of regular and 25 percent of light beer.

The stakes in this game are high. According to the Brewers Association, total domestic production for 1983 was 177,495 million barrels; imports were 6,314 million barrels — total: 183,809. That compares with domestic production of 176,577 million barrels in 1982 and imports of 5,754 million barrels — up less than a percentage point for both. In 1981 total industry sales, including imports, were 184,500 million barrels.

At 31 gallons per barrel, that's still nearly 5.7 billion gallons of beer and ale consumed in 1983 in the United States — consumption equal to nearly 25 gallons for each man, woman and child.

Lights Light-Up Sales

"Miller Lite is doing fine," Miller Brewing Co. spokesman Steve Forsyth tells MILITARY MARKET. "It's the No. 1 light beer by far — one of the top brands in the country," he says. According to figures from *Beverage World*, Miller Lite is now the best-selling light beer and the second-best-selling beer overall, preceded only by Anheuser-Busch's Budweiser. Miller, however, is only claiming that Lite is in the No. 3 spot. "Miller High Life is No. 2," says spokeswoman Patricia Brash.

Meister Brau, a popular-priced entry from Miller, was rolled out nationally last year. "Meister Brau has exceeded our [sales] expectations," says Forsyth. Miller now has two other beers in test — Calgary, an import from Canada, which is going through test-marketing in Springfield, Mass., Baltimore and Cleveland, and superpremium Special Reserve, which is being sold in undisclosed cities. Calgary is brewed by the Carling O'Keefe Brewery in Canada, which also brews Miller High Life for the Canadian market.

In corporate third place nationally is The Stroh Brewery Co. Stroh had combined sales of 24.3 million barrels in 1983, which is up 6.1 percent from its 1982 production of 22.9 million barrels, according to a company spokesman.

In mid-March, Stroh expanded the market for its Stroh's Premium and Stroh Light brands into California, and in late March, the brands were available in New York City and northern New Jersey, completing the rollout east of the Mississippi. Before the end of the year, the company plans to roll out both brands in other areas of the Far West, completing national distribution. Stroh's and Stroh Light are both doing very well, the spokesman says.

In 1981 Stroh acquired The Jos. Schlitz Brewing Co., and with it came what is now Stroh's best-selling entry, Old Milwaukee. This brand is in national distribution and holds sixth place nationally with a 3.7 percent share of the market. Company officials are hopeful it can capture fifth place during the heavy beer-buying season this summer, the spokesman says. Its companion brand, Old Milwaukee Light, is also available nationally.

Stroh is positioning the Schlitz brand a little below Stroh's, but both are considered premium beers, he says. Schlitz, Schlitz Light and

Schlitz Malt Liquor are all national.

Another of its brands, Schaefer, was available only on the East Coast until Stroh acquired the brand in spring 1981. Stroh rolled out Schaefer and Schaefer Light nationally in 1983.

The giant to beat, of course, is Budweiser. A-B's Budweiser brand holds a substantial lead over all competitors, and A-B's Bud Light is growing faster than any other entry in the light category, says company spokesman Paul Siemer. However, Miller Lite still holds the lion's share of the light beer market (about 60 percent), and has made a concerted effort to keep every customer it has for the brew. Officials at Miller attribute a nationwide concern with weight control and calorie intake as its ally in marketing Lite. The company continues to play up good beer taste and fewer calories in its intense advertising campaigns.

"Light beer doesn't do well in some areas, but it does very well in others," says Tom Doherty, MSM at A-B. Some of the resistance is not just to light beer, he says, but to all alcoholic beverages in localities where there are persuasive alcohol-abuse programs.

To respond to these concerns, A-B has introduced "LA from Anheuser-Busch", a low-alcohol content beer. It was rolled out in April in selected cities in Oregon, California, Nebraska, Wisconsin, Florida, Georgia, Rhode Island, Ohio and Arizona, Siemer says. The "LA" stands for "low alcohol," as the beer contains only 1.7 percent alcohol by weight, he says. Regular American beers contain an average of 4.8 percent alcohol by volume, while American light beers average 3.7 percent alcohol by volume, according to *Consumer Reports.*

Macho TV Advertising

The overall demand for malt beverages is growing only slightly, in spite of the record $482 million the nations' brewers spent on advertising in 1983, says *Advertising Age*. Even so, the money programmed for advertising beer and ale is expected to rise in 1984.

Each brewer aims its electronic appeal to a specific segment of the male audience. The segment targeted by the G. Heileman Brewing Co. most often is the 21-to-34-year-old, blue collar worker who has sufficient income to buy whichever beer he desires, says Tom Macauley, director of national and military accounts. Even the light beers are painstakingly marketed to this male audience. Apparently, it is a strategy that works, as light beers are gaining marketplace momentum.

Not all beer is drunk by this demographic group, however. The beverage is definitely going upscale in its appeal to more affluent individuals who may order "a $14 T-bone steak and beer to go with it," says Gary Naifeh, brand director at Adolph Coors Co. "That's something that would be unheard of 15 years ago."

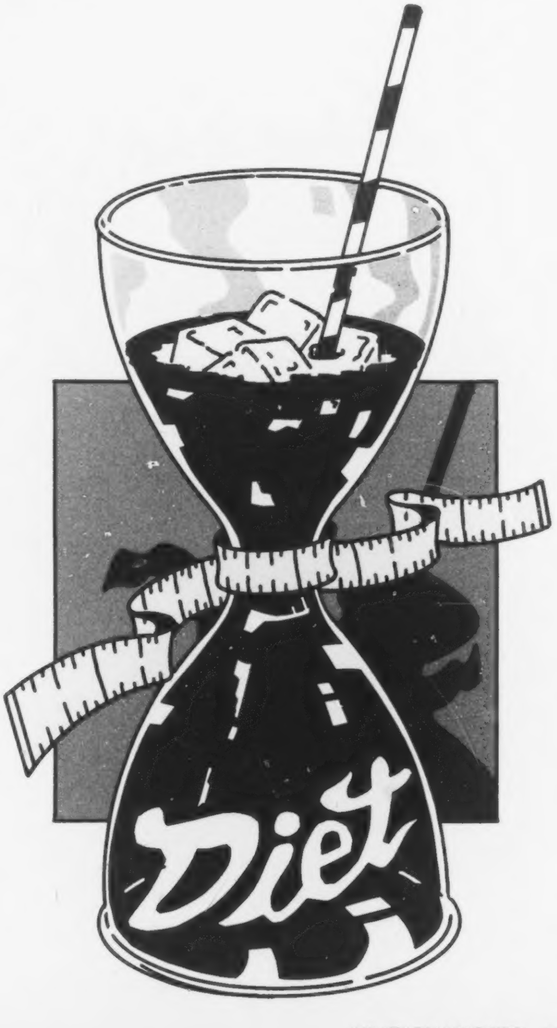
Consumers are also ordering more national brands — most regional brands have gone out of existence. In Wisconsin alone, where there were 80 brewers in the 1930s, the number has now dwindled to only seven. Probably the best known of the survivors is Schlitz, "the beer that made Milwaukee famous." Schlitz is now owned by The Stroh Brewery Co. of Detroit, which bottles and distributes it nationally. Thus a regional beer became national, but only through corporate gyrations.

The Stroh company is now No. 3 in barrels produced; it markets 15 brands, including premiums Schlitz and Schlitz Light, on a national basis. The other two companies that market their beers nationally and aim for the same blue collar workers are No. 1 Anheuser-Busch with its flagship brand, Budweiser, and No. 2 Miller Brewing Co. with its flagship brand, Miller High Life.

50 Brands Strong

Two other companies are intensifying their efforts to go national with one or more brands. Heileman shipped 17.5 million barrels in 1983, which is a 3 million-barrel increase, or 20.7 percent, over 1982's total, Macauley says. Among the company's 50 brands (including the light variations of several brands), Heileman really does not have a national brand, says Macauley, but it has regional brands whose "territories" overlap all over the country. All of the brands are available to exchanges, though none of the exchange systems buys all of them for resale, he says.

Part of the reason for the popularity of Heileman's regional beers is a tendency for some consumers to shop and compare and settle on a brand that has a suitable taste and



lower price, Macauley says. "The inflationary pressures of the last couple of years have caught up to us," he says. "There is a shift in consumer demand from premium to popular or regular brands."

Macauley tells MILITARY MARKET that four popular Heileman brands — Blatz, Stagg, Schmidt and Carling Black Label — are selling better than ever, and the company is seriously considering picking one of them to go national.

Notwithstanding the resurgence of popular-priced regional beers, premium beers are also selling well for Heileman, Macauley says. Premium Old Style and Carling Black Label are the brands the company supports most with advertising, he says.

"Premium Old Style outsells all other brands, including the well-known national brands, in Wisconsin and Illinois," he says. "In Chicago, it outsells even Stroh's [which had its beginnings in the midwest]. That says something good about our flagship brand." Distribution of Old Style is being expanded into New Mexico, Nevada, Oklahoma, Texas, Georgia and South Carolina, he says.

Superpremium beers, which typically are aimed at the "upscale man," are also picking up steam, he says. Heileman Special Export and Henry Reinhard's Private Reserve are Heileman's entries in this category. Private Reserve, which has been available on the West Coast, is expanding into Nevada, Arizona, Colorado and Texas. "The brands are generally available in the military stores in those states," he says.

For the most part, distribution of beer to exchanges is the responsibility of a wholesaler that usually distributes product in a limited geographic area. For the regional brands, this is usually the extent of their distribution. For the national brands, each brewing facility services a specific geographic area through the wholesaler or milrep with that brand. This could account for slight differences in taste of the same brand of beer when bought in different parts of the country.

ON-BASE MILITARY BEER SALES 1979-1982

	DOMESTIC	OVERSEAS	WORLDWIDE
1982			
Clubs and package stores	$109 mil.	$57 mil.	$166 mil.
Exchanges	137 mil.	66 mil.	203 mil.
Total	**$246 mil.**	**$123 mil.**	**$369 mil.**
Military strength	1,635,400	521,200	2,156,600
Per capita sales	$150	$236	$171
1981			
Clubs and package stores	$100 mil.	$56 mil.	$156 mil.
Exchanges	125 mil.	61 mil.	186 mil.
Total	**$225 mil.**	**$117 mil.**	**$342 mil.**
Military strength	1,607,898	514,759	2,122,657
Per capita sales	$140	$227	$161
1980			
Clubs and package stores	$92 mil.	$51 mil.	$143 mil.
Exchanges	117 mil.	53 mil.	170 mil.
Total	**$209 mil.**	**$104 mil.**	**$313 mil.**
Military strength	1,586,691	502,135	2,088,826
Per capita sales	$131	$207	$150
1979			
Clubs and package stores	$90 mil.	$39 mil.	$129 mil.
Exchanges	102. mil.	47 mil.	149 mil.
Total	**$192 mil.**	**$86 mil.**	**$278 mil.**
Military strength	1,585,654	480,845	2,066,499
Per capita sales	$121	$179	$135

SOURCE: Army Times Research Department.

Going National

For the drinkers of Coors beer, however, this means only that the distributor is local — and there are 360 of them. All Coors and Coors Light is brewed in the company's sole brewery in Golden, Colo., which it claims is the largest in the country, if not the world. Production for 1983 stood at 13.7 million barrels sold, says brand director Naifeh; this places the Coors brand in fourth place nationally in terms of barrels sold. It also represents a 15 percent increase over barrelage sold in 1982, Naifeh says.

Coors is now available to half U.S. population in 33 states and the District of Columbia, but the company is determined to roll it out nationally "before the end of the decade," says Naifeh. With that goal in mind, it seems logical for Coors to establish additional brewing facilities in order to reduce transportation costs of its finished product.

Company sources cautiously agree. "The company has some land in the East," Naifeh says, "and we may make a decision to brew there one day, but we won't expand faster than we can assure quality." Building a large brewery would be expensive, he says. "We don't want to build another brewery just to make a buck," he says.

What makes Coors drinkers so devoted to the product? Coors has a fresher taste because it brewed, filtered and filled under aseptic conditions, Naifeh claims. Once brewed, it is shipped nationwide in refrigerated trucks. The distributors are also required to keep it chilled so that it has minimal chance to go prematurely stale. "Beer is a perishable product," says Naifeh. "The sun cooks it again and damages the flavor."

All beer goes stale after it is in the keg, bottle or can. The process of going stale begins as soon as the beer is cooled, although it remains fairly stable for the first 60 days, he says. What many drinkers refer to as "green beer" is really stale beer. Brewers call it "overripe" or

"skunky." In any case, the older beer gets, the more the flavor loss is noticed, even to the casual beer drinker, Naifeh says.

To further help ensure the freshness of beer, all brewers have established a time frame after which a specific batch should not be sold, he says. Coors operates on a 60-day rotation policy for its product. The distributor is required to pull the beer from the retailers' shelves after that time at its own expense. Other companies have a 90- or a 120-day policy for pulling their beer off the retailers' shelves, Naifeh says.

A category of beers that crosses all image lines is the imports, say industry analysts. They tend to cost more and tend to have a fuller flavor. For 1983 they constituted 3.4 percent of the total malted beverages sold in the United States, according to the Brewers Association. Leading exporting countries as reported by the association are The Netherlands (Heineken), Canada (Molson, Moosehead and Labatt's) and West Germany (Beck's).

Diet Soft Drinks: A Hard Sell

Per capita consumption is considerably more for soft drinks than for beer at a little more than 39 gallons annually — a 2.6 percent increase over 1982 — according to *Beverage World.*

For several years now, it has been well-known in the soft drink industry that diet soft drinks are the fastest-growing segment. Still, diet Coke (Coca-Cola U.S.A. is spelling it lower case. It wants to de-emphasize the "diet" and stress the "Coke") has grown faster than any soft drink in history. It has achieved a 5 percent share of the $26 billion soft drink market in only a year and a half — a feat considered nothing short of phenomenal by industry insiders and analysts.

The introduction of diet Coke in July 1982 was accompanied by an intense promotional campaign. Almost immediately, industry analysts said it could become the No. 5 soft drink in the country within a couple of years, maybe even No. 3, "if it were marketed well."

U.S. BEER SALES

Brand	Percent of Total	Retail $
Budweiser	22.8	7.572
Miller Lite	9.7	3.221
Miller High Life	9.5	3.155
Coors	5.2	1.727
Pabst Blue Ribbon	4.3	1.428
Michelob	3.9	1.295
Old Milwaukee	3.7	1.229
Stroh's	3.1	1.030
Old Style	3.0	.996
Bud Light	2.1	.697
All other	32.7	10.860
Total	**100.0**	**33.210**

Dollars in billions for CY 1983
SOURCE: *Beverage World Magazine*

In early March of this year, that prediction came true as Coca-Cola U.S.A. announced that diet Coke is indeed the No. 3 soft drink in the United States. That status has been confirmed to MILITARY MARKET by Coca-Cola spokeswoman Rhett Huber and by beverage analyst Jesse Meyers, editor of *Beverage Digest.*

Coke officials attribute much of diet Coke's success to the national trend toward dieting. However, the company's diet Coke advertising campaign has been aimed at everyone, not just dieters, says Huber. "Within a year after diet Coke was introduced in July 1982, it was the No. 1 diet soft drink and the No. 4 soft drink overall," she says.

From July 1982 until August 1983, diet Coke was sweetened with saccharin, Huber says. Since that time, with FDA approval, Coca-Cola has been sweetening diet Coke and diet Sprite with a blend of saccharin and G.D. Searle's low-calorie nutritive sweetener, aspartame. With the use of the new formulation of sweeteners, customer acceptance of diet Coke continues to exceed company expectations. "We have received calls from consumers commenting on improved taste," she says.

"The diet market is very active — more than 20 percent of all soft drinks sold for the last couple of years have been diet drinks," Huber says. "Thirty percent of all soft drinks are expected to be diet drinks by the end of the decade," she says.

To satisfy this demand, Coca-Cola has produced diet Coke in four packages to satisfy customer needs. Diet Coke in 12-ounce cans is the strongest-selling package in the commissaries, Huber says, and the two-liter plastic bottle is the best seller in civilian grocery stores. It is also available in 10- and 16-ounce Plasti-Shield one-way bottles, she says. These are the bottles with a thin styrofoam wrapper that serves to retard bottle breakage and to insulate the drink inside.

Without question, the nation's No. 1 soft drink is Coca-Cola *(see chart),* with Pepsi-Cola in second place. But is diet Coke really No. 3? Coca-Cola and some industry analysts say yes. Those who agree with that claim are recognizing diet Coke's increasing sales momentum by including the first two months of 1984 in their computations. Even more important, those computations include soft drinks served in food service outlets where diet Coke has achieved high customer acceptance, Huber says. Analyst Meyers agrees. "Fully a third of diet Coke is sold in single servings at fountains," he says.

The No. 3 position, which 7UP regained from Dr Pepper at the end of 1982, is now claimed by diet Coke. But the Seven-Up Co. rejects diet Coke's claim to the No. 3 spot — the position it still claims for its flagship, 7UP.

In rejecting Coca-Cola's claim, Seven-Up is basing its conclusion on beverage analyst John Maxwell's figures for calendar year 1983, says Terry Moore, company spokesman for Seven-Up. Maxwell's analysis includes soft drink sales in measured outlets — civilian grocery stores, discount stores, exchanges, commissaries and similar take-home outlets, and also those sold and served in food service outlets, Moore says.

An Offbeat Soft Drink

"We feel like a lot of the [soft drink] TV ads are pretty much the same," says Ken Couvillion, MSM at Dr Pepper Co. "We're positioning ourselves as a different kind of drink — out of the ordinary — a little offbeat." That is the way it has always been at Dr Pepper, and the merchandising of Dr Pepper reflects that difference. The old concept of "Be a Pepper" is out, he says.

To change the concept, Dr Pepper is now making ads for TV that are styled after scenes taken from old movies like "Casablanca" and "The Hunchback of Notre Dame," Couvillion says. They have a nostalgic appeal and each one ends with a little humorous twist — something the consumer will remember, he says.

In addition to regular Dr Pepper, the company has been putting emphasis on its newer entries — regular Pepper Free (sugar-sweetened) and Sugar-Free Pepper Free. These latter two soft drinks are caffeine-free and were in about 40 percent of the country by the end of 1983. Now they have been rolled out nationwide, he says.

The new products and a new marketing stance were needed, Couvillion says, because the company didn't have a very good 1982, nor did it have a good first half of 1983. In the latter half of 1983, however, "things have turned around," he says.

"We had a fairly inexperienced sales force selling to 500 franchised bottlers around the country." Now they are more experienced, and are working more closely with the bottlers than before. The closer personal touch has been an important factor in making the difference, he says.

The packaging of Dr Pepper drinks has also been changed and is now more uniform, says Couvillion. "The name on the package now is printed in a uniform 17-degree slant upward to the right. This gives our line a better shelf impact than it had before," he says. When Dr Pepper products with the new packaging were put into test market, consumers said they noticed a better taste, and sales began to pick up right away, he says. While the packaging change apparently caused a corresponding change in consumer taste perception, there has been no change in the formulation of any of the Dr Pepper soft drinks, Couvillion assures.

"We have also focused a little more carefully on the single-drink markets," Couvillion tells MILITARY MARKET. Dr Pepper has always been a strong single drink — the company estimates 80 percent of its sales are in single servings in food-service outlets and in single containers in stores. Officials at Dr Pepper are now putting emphasis on converting some of these customers to buying six- and 12-packs, especially in the exchanges where sales are mostly in shoppettes and convenience stores, he says.

Colas Still the Favorite

"Pepsi is No.1 in the 'freedom of choice' market," says John Frank, national sales manager at Pepsico's Pepsi-Cola Co. He identifies this market as those sales of soft drinks that are taken home, rather than consumed in food-service outlets where usually only one brand of cola and one lemon-lime drink are offered.

"We're very active in the military market," he says. "And we've always been active in the local market." Pepsi representatives have always worked closely with their local bottlers and distributors nationwide, so that local accounts are given the best service possible, he says.

Pepsi is trying to reposition itself as the soft drink producer for the space-age generation, he says, now that the earlier Pepsi generation has grown up. The real push is on the diet formulations — Diet Pepsi, Pepsi-Free, Sugar-Free Pepsi-Free and Pepsi Light. "We're getting away from the stereotype audience, and we're going after not only the female, but also the male [with diet drinks]," Frank says. The addition of aspartame has been a real boost to sales of Diet Pepsi, he says.

U.S. SOFT DRINK SALES

Brand	Percent of Total	Retail $
Coca-Cola	23.0	5.985
Pepsi-Cola	17.0	4.423
Diet Coke	5.0	1.301
7UP	4.9	1.275
Dr Pepper	4.7	1.223
Sprite	2.6	.677
Tab	2.5	.651
Diet Pepsi	2.3	.598
Mountain Dew	2.1	.546
RC Cola	2.0	.520
All Other	33.9	8.821
Total	**100.0**	**26.020**

Dollars in billions for CY 1983.
SOURCE: *Beverage Digest Magazine*

Pepsi is also changing its appeal in its promotions. "We're appealing to a younger audience," he says, citing current TV commercial contracts with Michael Jackson and Lionel Ritchie as "examples of this new direction."

In the new product category, Pepsi is now test marketing a lemon-lime drink named Slice. It contains 10 percent citrus fruit juice.

Royal Crown Cola Co., the originator of diet colas in 1962, is now using a blend of saccharin and aspartame in its Diet Rite Cola. "We, of course, are the company that began the caffeine-free explosion in soft drinks," says Royal Crown spokesman John Lockwood. Royal Crown enjoys 80 percent of the caffeine-free cola market, says Lockwood, with its RC 100, introduced in 1980, and sugar-free RC 100 which became available in 1982.

"Last August [1983] salt-free Diet Rite cola went into national distribution," says Lockwood. It became the No. 1 diet soft drink in one exchange region in 1983, he says. Why such sales growth for a salt-free soft drink? Sodium is no more significant in soft drinks than caffeine, he says, but a salt-free formula is what the consumers want. "We think if they [retailers] haven't been enjoying deliveries of salt-free Diet Rite Cola, they're missing a profit opportunity," he says.

"We look at the military as a very important marketplace that we have not exploited to the fullest," he says. "We're always examining our product line to see that it meets the consumers' needs of today."

Never Had It — Never Will

"We led the industry in sales volume increase for the combined two products [7UP and Diet 7UP] for 1983," says company spokesman Terry Moore. Seven-Up claims a 5.4 percent soft drink market share with its flagship brand, 7UP, based on 1983 year-end figures compiled by industry analyst John Maxwell. His report reflects sales in food stores and at fountains, says Moore, as opposed to the A.C. Nielsen Co. reports, which include only movement in food stores.

Officials at 7UP attribute much of the drink's continued success to the basic concept that 7UP has no caffeine — "never had it, never will," Moore says. This is the same theme company officials feel carried the entire company on a 10 percent-plus volume gain in 1983.

Of course, not all of 7UP's business comes from the "uncola." "In those areas where Like [cola] is sold, it's doing well — very well in some exchanges," Moore says. "We had double-digit increases in 1983." One of the key reasons for this success is the no-caffeine message (Like is 99.9 percent caffeine-free) that has carried over from 7UP, he says. Like and sugar-free Like are now available in 50 percent of the country, and the rollout will continue.

"There were some competitors who felt the no-caffeine message was a temporary thing, but it has become a trend," he says. "Consumers are more concerned about what they injest. They're more health-conscious, and we see no abatement in this trend," he says. "We had a very real marketing point — why not use it?"

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MANUFACTURERS LOOK TO THE FUTURE

Automatics Develop Big

Silver halide imaging blends with electronic imaging for the future, as 35mm cameras still undergo improvements.

By DAVID B. COOLEY
Associate Editor

SNAP TO IT, AMERICA! National Photo Week has been declared by Congress and the time to focus on photography is at hand. The "Snap to it, America!" slogan — coined by the Photo Marketing Association as a rallying cry — and the declaration of May 7-13 as National Photo Week (with entertainer Jerry Lewis as honorary chairman) will, industry officials hope, spur Americans to take more pictures this year.

"We've had two years of increases and four years of decreases out of the last six," said Ron Inkley, a photo retailer and workshop panelist during PMA's international trade show held in Las Vegas last month. "There has been an increase in picture taking — not much, but some."

If even 15 percent of camera-owning households shoot one extra roll of film during National Photo Week, an estimated 13 million additional rolls of film will be sold that week, said industry analyst Thomas D. Henwood. This will be a nudge in the right direction for the now mature $15 billion photo industry.

"The answer to currently slow sales and narrow margins is to develop a better product mix of cameras and accessories to improve turnover, Inkley said. "If we're not changing every day, we're in a different [bad] situation. We will not see again the 'good old days' of the '60s and '70s."

The photo industry "has been a little sluggish this past year," he told his audience during a workshop. To improve sales, Inkley said retailers must do something for their customers that can't be had elsewhere, such as providing information and service. "We have some tremendous changes coming in the next 36 to 48 months. I'm as optimistic about the next five years as I've ever been — and I don't think it's [continued growth] going to be done on volume," Inkley said. He was referring to the addition of profitable video items in the photo store.

Marrying Photo and Video

"We're going to see some great strides in photography even though we're in a lull. This can be the lull before the rush," said John Bogosian, a photo dealer in the Philadelphia area. He expanded on some of the changes that photo retailers can expect. He cited the Kodak disc camera as one of the bright spots in the photo sales picture.

Another is Kodak's introduction of the 8mm video system, which puts photo retailers in the video market. "Are we prepared to meet the challenge for videocameras and tapes?" Bogosian asked. "The units may be too high-priced to get the volume we need, but not for long. The consumers' needs are changing, and manufacturers are working to get the price [of VCRs] down."

A third of U.S. households will have an annual income of $25,000 or more by 1990. "We can tap those dollars for sales in our stores," he said. The technology of electronic imaging and traditional imaging will both improve. "The two will work in tandem," he said.

The marriage between photography and video is possibly the wave of the future, said Edward Ritz, chairman of the East Coast's Ritz Camera Centers chain. "We can use the video camera to put slides on the TV screen. We can do it ourselves — videophotography from prints, negatives or transparencies," he said.

At least two firms at the PMA show — Hope Industries of Willow Grove, Pa., and Riley Marketing of

Dallas — were showing equipment or services to do just that. Their equipment is also capable of copying movies (home or otherwise) onto videotape so photographic memorabilia can be viewed on television without the burden of getting out a projector and screen.

A number of photographic experts expressed concern about the future of silver halide imaging and the blossoming electronic photo technology. They expressed fear that electronic imaging might eventually replace traditional photography. "I don't believe electronic stills will be much of a market until the 1990s. Even then, they will be complementary rather than supplementary," said industry analyst Henwood. The photographic print is the most desirable form of photography, in his opinion.

"The demand for color print paper could decrease as people selectively print pictures that have been recorded electronically," Henwood said. However, consumer use of paper could partially replace professional use in the 1990s as images that are collected and stored electronically are later laser-printed on color-print

Kodavision

A CANON REPRESENTATIVE (LEFT) describes one of his company's cameras to a dealer at the PMA in Las Vegas. Nikon (ABOVE) introduced the easy-to-use FG-20 camera. A representative points out the camera's features to a conventioneer. Nikon also introduced special cameras and strobe units for underwater use. The Kodak booth (BELOW) was always crowded, as conventioneers learned about the company's new Kodavision 8mm Camcorders.

Photos by David B. Cooley

paper at home, he said.

"Video has taken away our home-movie market," Ritz said. "I don't know if video has taken over, or did it [home movies] die because it's boring?" he asked. "We should move into video. We need to teach our customers how to edit without cutting tape." As desirable as that would be, he said, it probably won't happen on any significant scale — as editing movies had never been a very popular activity, anyway.

"Our customers have limited time for leisure activities," Ritz said. "Computers have taken the time that consumers used to spend in the darkroom, but computers are also in a decline [as a leisure-time activity]."

The number of nonphoto outlets selling photo supplies in some form has skyrocketed in the past 20 years, he said. Supermarkets are now the most common outlet for photo supplies and finishing, according to Ritz.

1960	1984
10,000 to 15,000	290,000 (209,000 supermarkets)

The photofinishing business grew from $500 million to more than $3 billion between 1965 and 1983, said Ritz. Even with that substantial increase, he said, color prints are now 25 percent less expensive on the average than they were in 1965.

"Photofinishing is our lifeline," Bogosian said. "[But] the one-hour labs are going in everywhere — supermarkets, discount stores, maybe even K mart will be getting into photofinishing. We can't just say the market is shrinking and walk away from it," he said.

As important a profit center as photofinishing can be, it has traditionally been contracted out at the exchanges. However, AAFES is testing on-base photofinishing at a couple of locations. And Navy will start an on-site one-hour photofinishing test at Norfolk in mid-May, which will run for at least three months, said Navy public affairs specialist John Russas. NAVRESSO has also operated a photofinishing service and a photo studio on-base at Great Lakes for a number of years, primarily as a service to the training command recruits, he said. Neither service has made a commitment to include other bases.

The Marine Corp exchanges are not offering on-site photofinishing services, either. "Right now none are doing this, but we're looking into the feasibility," said Irving Feinberg, operations officer at Marine Corps Exchange Headquarters.

'Phototronic' Departments

Competition is coming at the photo

retailer from all directions. "Hardware stores, stereo stores, liquidators, electronic stores, appliance stores and even gas stations have become our competitors in the photo business," said David Ritz, son of Edward Ritz and president of Ritz Camera Centers. Other types of retailers now in the photographic business are key shops, flower shops, dry cleaners, discounters and mass merchandisers. "In the last year and a half the changes have been tremendous," he said.

Minilabs are in large part responsible for this dramatic change in photo outlets. The first one-hour minilab appeared on the scene in 1979. "They have opened up a whole new photofinishing outlet, with albums, film, frames, batteries, and even cameras where possible," the junior Ritz said, although selling cameras at these outlets is not a priority since the profit margin on cameras is not attractive enough to interest them on a large scale.

"These specialty stores are the fastest-growing kind of photo retailer," he said. However, he held out hope for the conventional photo retailer, because of the product knowledge and service that specialty retailers can offer. "I think the customer will prefer a one-hour lab located in a photo store rather than one in the corner body shop," he joked.

The changes are making it more convenient for people to take snapshots and to get them developed, he said. This is a different consumer — a new customer base and a new sales channel. Manufacturers see nonphotographic retailers as places to sell inventory and to hold inventory before it is sold, he said. This market has become so attractive in some areas that some photographic suppliers are now selling only to nonphotographic retailers, he said.

What can be done to counteract such "unfair" competition? David Ritz held out "creative merchandising" as one of the answers. He has diversified within his stores by labeling a department as "phototronic," thus giving that department an identity consistent with the imaging equipment that is becoming more electronic in nature.

Civilian camera stores are just now facing this need to expand into the electronic imaging business, but that combination of products has existed in exchanges for years — albeit in different departments. For the foreseeable future, videotape cameras and players will remain in the electronic department at AAFES exchanges, according to Billy Wade, head photo buyer at AAFES. He told MILITARY MARKET that the only decision that needs to be made at some time in the future is whether to combine some photographic and electronic merchandise as "imaging equipment."

The Gray Market — 'Long-term Mess'

Aside from encroaching competition by nonphotographic retailers, the other Achilles' heel of the photo retailing industry is the so-called "gray market."

This market consists of import goods for resale that are purchased from unauthorized sources where prices are lower, the dollar is strong, and where country-to-country currency discounting is profitable, said Chuck Wolf, president of Wolf Camera, a 60-store chain in the Atlanta area. In the short run, the gray market allows a lower price to the retailer, supposedly giving him a competitive edge when he sells to his customers.

The exchange systems do not buy from gray market sources, but it affects both military and civilian stores because price points become very blurred, and customers want to know why prices are so different on the same equipment at stores in the same area, Wolf said.

"The gray market is effective only in noncompetitive products," he said — "noncompetitive" meaning cameras of the same make and model, which are accepted by the buyer as identical, no matter what the secondary source. It is strictly a case of buyer beware, as these cameras may not come with all the accessories and warranties that are included when the intended retail price is paid, he said.

"It's all legal, and it goes through customs easily," Wolf said. Both photographic and nonphotographic retail outlets are offered these low-priced cameras, which in turn generates a greater number of competitors. "It's a short-term gain and a long-term mess," he said.

"It is my belief," said Wolf, "that the product value generated by the camera manufacturers is what sells the cameras. They [the manufacturers] don't worry about how they're distributed or marketed." He said it would take great determination on the part of manufacturers not to sell through the gray market, which he estimated now surpasses 30 percent in Los Angeles and New York City.

"U.S. Customs could stop it, but in my opinion, it won't," he said. He feels it is matter of interpreting the law, and at present, there is no desire on the part of Customs officials to encourage raising prices on imported goods. He estimated that 25 percent of all Nikon cameras imported are handled through the gray market. For Minoltas, he estimated 10 percent, and for Hasselblads, 50 percent. Wolf was especially worried about the situation with Nikon. "The Nikon gray market has given us cause for great concern," he said. "How long can we survive?" he asked rhetorically. "Margins are too tight for comfort."

The PMA also is concerned about the gray market. "They're informing members fully on the subject so they can make their own decisions [on whether or not to buy from gray market sources]." But the PMA, as a body, is not going to attempt any kind of industry reform, he predicted.

Low-End Cameras Clicking

Point-and-shoot cameras will continue to be volume leaders for some time, said industry insiders during the convention. They are especially suitable for first-time buyers, but there are second-time buyers for them, too, said Pauline Chan, president of Haking Industries, a Hong Kong firm. "If the first-time buyer is happy, he will buy more later," she said. Her company produces several low-end cameras, which are "the primary school where the public gets interested in photography."

Low-end cameras are now available in four basic types — 110, 35mm, disc, and instant. "It's important to know just what low-priced means, Chan said. In 35mm, it means under $100; for disc cameras, it means under $50; for the 110 size camera, it means under $25; and for the instant, around $30, she said. The low-end, said Chan, was the highest growth area of the market in 1983.

"The 110 camera remained relatively strong despite the entry of the disc format," she said. She predicted that the pricing structure on the 110 size (from $9.95 to $29.95 in civilian stores) will continue strong for the next few years.

The popularity of the disc camera can be attributed to improved disc film and a choice of lenses on several models, Chan said, but the real gains are expected to be in the rangefinder 35mm cameras. The sales figures for 1983 represent a 55 percent increase over 1982, and "another 50 percent increase is expected in 1984," she said. Automation in flash, focus, exposure, loading and rewind are what sell rangefinders, she said. "Increases for 35mm rangefinder and disc cameras combined will have the dominant share of the U.S. camera market," she said.

In AAFES exchanges, "disc cameras are selling well, but they [the owners] are not using them," Wade told MILITARY MARKET. "Disc film sales are slow compared with current and past sales of the cameras," he said.

Clearer prints from improved disc film may increase overall disc camera usage, he said.

Eastman Kodak renewed its belief in the disc format by introducing three more disc cameras at the show — the 3100, 4100 and 6100 models. Each has features that make it decision-free, and Kodak claims the improved disc film will help to ensure a higher picture yield than the original film.

An Exciting Future

Sales of autofocus 35mm cameras were up 90 percent last year, said K.C. Chiwata, president of Pentax Corp, and multiple ownership is fast becoming the rule: 43 percent of all single-lens reflex cameras sold in 1983 were sold to people who already owned an SLR camera.

The 35mm rangefinder cameras with built-in flash and the sophisticated through-the-lens metering on the better cameras have translated into tangible benefits for customers. "Consumers want trouble-free, good quality photographs with a minimum of effort," Chiwata said.

The traditional photo customer has been male, he said, between 25 and 50, has a median income of $25,000 and holds a managerial position. For the '80s, however, a more selective approach may be necessary in defining consumer markets, he said. The photo consumer of the '80s will be 35 to 49, an age group that will comprise 40 percent of the population in 1990, he said, and there will be 23 percent more in this age group by the year 2000.

"However," he said, "the idea that all camera buyers are male is a myth. With the expanding role of women, they have become important customers. In 1983, 34 percent of SLRs and half of the rangefinder cameras were sold to women.

"The over-55 age group has [also] been ignored," he said. "They have the advantage of money — their discretionary income continues to increase as they grow older. A 55-year-old has 70 percent more discretionary income than a 35-year-old," he said. He didn't minimize the teenage market, but their numbers are expected to decrease between 1980 and 1990, and to increase between 1990 and 2000, he said.

Low-End Camera Sales in the U.S.

Camera Type	FY 1983 Units
35mm rangefinder	1.4 million
Disc	4.6 million
110	3.7 million
Instant	4.0 million
Total	**13.7 million**

SOURCE: Pauline Chan, Haking Industries, Hong Kong.

In addressing the ramifications of the gray market, Chiwata thinks voluntary cutbacks in Japan or stricter law enforcement on imports in the U.S. courts, or both, may be needed. "No one benefits from production cutbacks," he said. "Customers probably would not be happy with cameras at rock-bottom prices that are stripped of accessories and not covered by a warranty," he added.

In the Exchanges

The best camera buys at the show this year are the Canon T-70, the Olympus OM-3 and OM-4, the Ricoh XR-P and the Pentax Sport 35, said AAFES photo buyer Wade. (The Olympus cameras were introduced at last year's show, but the supply was limited and few customers, military or otherwise, were able to get them.)

The Canon T-70, available as of last month, is an updated version of the T-50 model. In this top-of-the-line camera, all the functions can be operated by pushing buttons, rather than by pulling levers. The camera features eight exposure modes, two metering patterns and a safety shift that overrides the shutter speed and selects the next higher or lower speed to properly expose the frame, if lighting conditions dictate. A unique feature is the liquid-crystal information display on top of the camera, which is used for setting film speed and exposure information. It also shows the frame count as the film is exposed.

The Olympus OM-3 and OM-4 also boast multispot metering that can be useful when shooting back-lighted or side-lighted subjects when fill-in light is impractical or impossible.

Ricoh's XR-P is listed as a "user" multiprogram auto camera with three programs — normal, depth and action — options which should make the camera functions easier to learn.

The Pentax Sport 35 boasts automatic focus, exposure and flash. An auto winder accessory enables the user to shoot at a speed of one frame per second. It is designed to be a "point and shoot camera" for the beginner.

Kyocera's Yashica Auto Focus Motor camera fills a similar bill, but its motor is built in. There are five features which make this an extremely easy camera to use — automatic loading, focusing, exposure, flash and wind/rewind.

Kodak claims improved resolution in its color films, which should result in better pictures for all negative sizes. There are rumors in the industry that the company will discontinue its speed 100 color print film, which could cause some problems. Existing 126 cameras are not adaptable to anything but speed 100 film. Another film manufacturer might fill in the gap if that happens, according to AAFES' Wade. Konica and Fuji are both looking for additional U.S. markets for their products. Fuji film is currently available in overseas AAFES locations, but not stateside.

Navy Exchange customers can enjoy 25 percent savings on specially selected photo and electronic equipment at NAVRESSO's annual Sight and Sound Sale, May 29-June 4. A brochure will be available in advance of the sale describing the items which will be featured.

"There's nothing particularly exciting or exceptional [at the PMA]," said NAVRESSO's senior photographic buyer, B.L. Olsen. He thought the offerings at the PMA were a take-off of existing cameras.

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GRAPESHOT

- DSRE's official *Food Supply Newsletter* generally contains some good reading. A recent issue reported on the European Subsistence Conference and one attendee's definition of crack managment as "making decisions on those things that drop through the cracks in the floor."

- Resale agencies have continued their sweep of awards for excellence in architectural design. Winners in the ninth annual Design Award Program included the new AFCOMS store at Los Angeles AFS, Calif., and the AAFES filling station and branch exchange at Eglin AFB, Fla.

- Sales in Army commissaries grew 3.6 percent in FY '83, all the way up to $1,557,040,000. TSA officials credit "uniform management practices" as one reason for the sales record.

- AAFES' new Vendor Liaison Program is a Quality Assurance Division effort to prevent problems and improve the quality and variety of merchandise the giant exchange agency carries in its stores. The two-part program involves QA personnel meeting with new vendors and explaining the agency's QA program; a "quality history profile" is prepared for current suppliers, using data from past inspections, technical evaluations, audits and store-level feedback.

Military Market index

Commissaries

		JANUARY			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$142,829	$136,261	+4.82	$142,829	$136,261	+4.82
	OVERSEAS	27,581	27,055	+1.94	27,581	27,055	+1.94
	TOTAL	170,410	163,316	+4.34	170,410	163,316	+4.34
Army	CONUS	102,165	108,264	-5.63	102,165	108,264	-5.63
	OVERSEAS	37,170	39,936	-6.93	37,170	39,936	-6.93
	TOTAL	139,335	148,200	-5.98	139,335	148,200	-5.98
Navy	CONUS	53,030	49,877	+6.32	53,030	49,877	+6.32
	OVERSEAS	5,978	5,668	+5.47	5,978	5,668	+5.47
	TOTAL	59,008	55,545	+6.23	59,008	55,545	+6.23
Marines	CONUS	12,460	10,846	+14.88	12,460	10,846	+14.88
	OVERSEAS	174	174	0.00	174	174	0.00
	TOTAL	12,634	11,020	+14.65	12,634	11,020	+14.65
Coast Guard	CONUS	233	275	-15.27	233	275	-15.27
	OVERSEAS	250	217	+15.21	250	217	+15.21
	TOTAL	483	492	-1.83	483	492	-1.83
All Commissaries	CONUS	310,717	305,523	+1.70	310,717	305,523	+1.70
	OVERSEAS	71,153	73,050	-2.60	71,153	73,050	-2.60
	TOTAL	$381,870	$378,573	+0.87	$381,870	$378,573	+0.87
Grocery Stores	U.S.[1]	$19.820 bil.	$18.892 bil.	+4.91	$19.820 bil.	$18.892 bil.	+4.91

Exchanges

		JANUARY			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$189,951	$180,418	+5.28	$189,951	$180,418	+5.28
	OVERSEAS	139,345	135,734	+2.66	139,345	135,734	+2.66
	TOTAL	329,296	316,152	+4.16	329,296	316,152	+4.16
Navy	CONUS[2]	60,367	60,465	-0.16	60,367	60,465	-0.16
	OVERSEAS[2]	27,904	27,433	+1.72	27,904	27,433	+1.72
	TOTAL[2]	88,271	87,898	+0.42	88,271	87,898	+0.42
Marines	CONUS	16,579	17,491	-5.21	16,579	17,491	-5.21
	OVERSEAS	3,588	4,059	-11.60	3,588	4,059	-11.60
	TOTAL	20,167	21,550	-6.42	20,167	21,550	-6.42
Coast Guard	CONUS[3]	4,895	4,746	+3.14	4,895	4,746	+3.14
	OVERSEAS[3]	612	647	-5.41	612	647	-5.41
	TOTAL[3]	5,507	5,393	+2.11	5,507	5,393	+2.11
Mail Order	CONUS[4]	1,496	1,281	+16.78	1,496	1,281	+16.78
	OVERSEAS[4]	4,018	3,797	+5.82	4,018	3,797	+5.82
	TOTAL[4]	5,514	5,078	+8.59	5,514	5,078	+8.59
All Exchanges	CONUS	273,288	264,401	+3.36	273,288	264,401	+3.36
	OVERSEAS	175,467	171,670	+2.21	175,467	171,670	+2.21
	TOTAL	$448,755	$436,071	+2.91	$448,755	$436,071	+2.91
Department Stores	U.S.[1]	$7.301 bil.	$6.522 bil.	+11.94	$7.301 bil.	$6.522 bil.	+11.94

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

Military Market

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Out of This World

Military Market serving the military retail system

JUNE 1984/VOLUME 35/NO. 6
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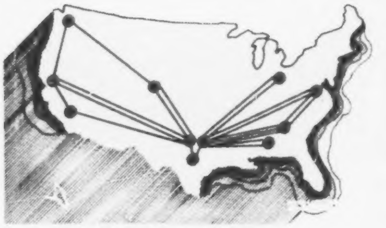
COVER BY GARNETT SULLIVAN



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Military Market survey

PX/BX Scanning: A Success

AAFES managers are enthusiastic about productivity gains

SCANNING AT AAFES is fast becoming a permanent part of the scene. Managers of those stores that have it — 20 as of June 1 — say they are beginning to enjoy the fruits of the changeover from traditional electromechanical checkouts.

The secret to scanning's success has been planning, training and "total involvement" on the part of managers, according to several of them who were contacted for this month's survey. Seven of the 17 main-store and exchange managers contacted for this month's survey tell MILITARY MARKET there was initial reluctance or hesitation by some employees, but that this apprehension has been overcome with early exposure to the equipment and proper training in the techniques of using it.

Thirteen of the 17 people contacted say their job is easier with scanning because of additional data they now receive, and the timeliness with which they receive it. "I now know the sales per hour, transactions per hour and the dollars per hour. That information helps me schedule people better," says one. "I can readily tell how sales this year compare with last year," says another. Two respondents add that being able to track magazine sales, for instance, has helped them make a decision to drop a number of unprofitable titles because of low demand.

Not all of the reactions are unqualified raves, however. Four managers report they have had some difficulties with the scanning equipment or with the backroom computers. However, they add that problems with the front-end equipment have been timely handled by NCR repair personnel, and the backup computer system generally proves equal to the task of handling customer flow before NCR personnel arrive. Only one manager reported that a store was unable to remain open while repair people located and resolved a problem.

The number of scannable items is 50 percent or more of the store total at most of the stores surveyed, though one manager reports that his store has only about 35 percent scannable items.

To enable stores to maximize the benefits of scanning, each store has two Dennison machines capable of making Universal Product Code stickers. Fifteen of the stores surveyed are making their own stickers for much of the merchandise that is received without UPC markings.

Price removal is widespread: 16 stores report they are no longer putting price stickers of any kind on merchandise that is received with UPC bar codes already on them.

What about customers? Scanning has been extremely well-received by patrons, say 16 of the managers interviewed, although one of them reports there are some customers who do not like the new technology. Just one manager says his customers are only mildly in favor of scanning.

Early and continuous announcements to customers have made them much more receptive to scanning, managers believe. To announce the advent of scanning, 13 stores used signing, 11 used flyers or bag-stuffers, and 11 used the store public address system. In addition, seven stores were the subject of articles in base newspapers, while four managers addressed wives clubs on base and one inserted an article on scanning in a newsletter.

The big question, of course, is productivity. Since the first scanning operation in AAFES began, there have been few changes in the numbers of personnel required to handle the work flow in the stores, but there have been personnel reassignments. Eleven of the stores surveyed say they have neither added nor subtracted personnel because of scanning. At two stores, a computer operator has been added; three stores have subtracted one or more cashiers, and one added a cashier because a register was added to the store's total.

Despite the usual start-up problems, all of the 17 managers MILITARY MARKET interviewed were enthusiastic about scanning. When asked where they see the most improvement in productivity, the answer was almost unanimous: at the front end. Fourteen say their customers are getting through the checkout faster (by as much as 35 percent), and 11 say their stockers are able to spend more time actually putting stock on shelves.

MM

1 — HAS SCANNING CHANGED THE WAY IN WHICH YOU APPROACH YOUR JOB? IN WHAT WAYS HAS IT MADE YOUR JOB EASIER, OR MORE DIFFICULT? Easier — 13 More difficult — 6 * (See story)

2 — WHAT HAS BEEN THE CUSTOMER RESPONSE TO SCANNING IN YOUR EXCHANGE? Extremely favorable — 16 Mildly favorable — 1 Lukewarm — 0 Poor — 1 *

3 — WHAT SORT OF ADVANCE ANNOUNCEMENTS (IF ANY) DID YOU MAKE TO CUSTOMERS CONCERNING SCANNING? Bag stuffers — 11 Public address announcements — 11 Articles in base newspapers — 7 Signs — 13 Address wives clubs — 4 Newsletter — 1 *

4 — HAS YOUR STORE DONE ANY PRICE REMOVAL? Yes — 16 No — 1

5 — HAVE YOU ENCOUNTERED ANY PROBLEMS WITH THE SCANNING EQUIPMENT? Yes — 4 No — 13

6 — WHAT KINDS OF PERSONNEL ADJUSTMENTS WERE REQUIRED FOR THE CHANGEOVER FROM CONVENTIONAL CASH REGISTERS TO SCANNING? Cashier subtracted — 3 Stocker subtracted — 0 Computer operator added — 2 Cashier added — 1 No change — 11

7 — HOW HAS THE IMPLEMENTATION OF SCANNING IN YOUR STORE AFFECTED THE MANAGEMENT DECISIONS THAT YOU AS A STORE MANAGER MUST MAKE? Better scheduling of personnel — 9 Track sales and transactions — 10 Monitor hours of operation — 2 No change — 4 *

8 — APPROXIMATELY WHAT PERCENTAGE OF THE ITEMS THAT YOU NOW CARRY ARE SCANNABLE? 30-40% — 1 40-50% — 0 50% or more — 16

9 — ARE YOU APPLYING ANY OF YOUR OWN UPCs? Yes — 15 No — 2

10 — DO YOU THINK IT'S RIGHT FOR AAFES TO REFUSE TO STOCK PRODUCTS THAT DON'T CARRY A UPC CODE? Yes — 4 No — 3 Don't know or would rather not say — 10

11 — DO YOU FORESEE ANY FUTURE MODIFICATIONS OR ADDITIONS TO THE SCANNING OPERATIONS AT YOUR STORE? Yes — 17 (Ordering — 4 Inventory control — 3 Use in other locations, such as the shoppette — 2 More advanced lasers — 4 Additional terminals — 2 Modify checkout stands and update equipment or both — 3 Easier pricing on one-time buys — 2)*

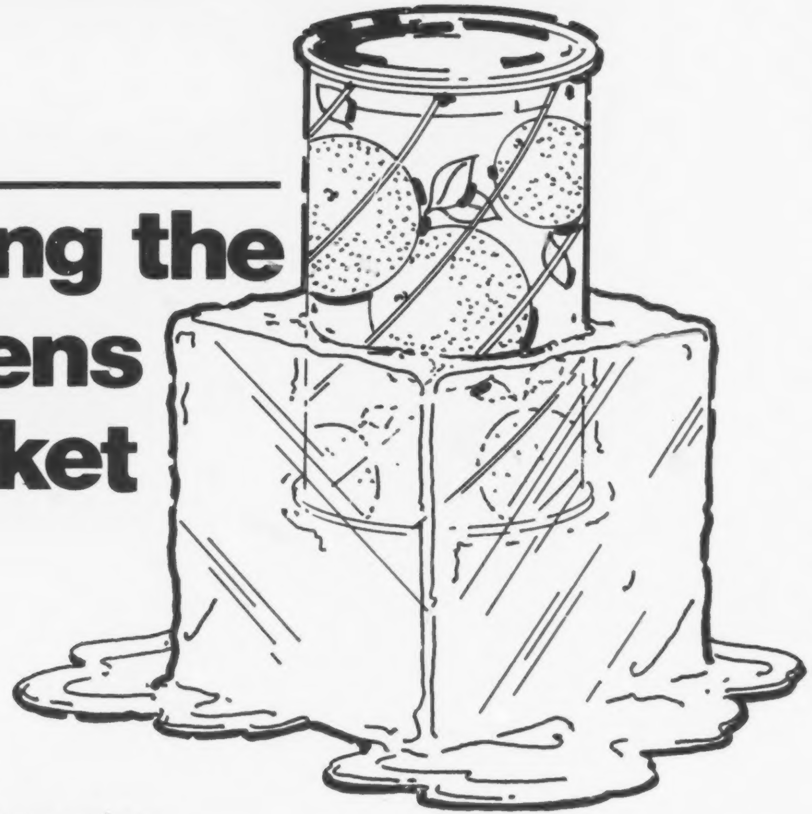
12 — IN WHAT AREAS HAS SCANNING IMPROVED YOUR PRODUCTIVITY? Cashier — 15 Stocker — 11 Management — 13 Accountability — 1 *

13 — HOW HAVE YOUR STORE EMPLOYEES AND OTHER PERSONNEL REACTED TO SCANNING IN YOUR EXCHANGE? Hesitant at first, now OK — 7 Very well — 9 Mixed — 1 Poorly — 0

* Does not add to 17 because of multiple responses

The Heat Is On—

Thawing the Frozens Market



Juice concentrates and large sizes dominate a growing market for frozen juices, vegetables and fruit.

By DAVID B. COOLEY
Associate Editor

FROZEN CONCENTRATED orange juice is far and away the best-selling form of orange juice in commissaries and probably will continue to be so for some time to come, according to reports from the Florida Department of Citrus.

It's also the favorite form of orange juice in the civilian marketplace, but its position there is eroding, and probably will be overtaken by single-strength, chilled orange juice within the next two to three years. This probably won't happen in commissaries, say some experts, since commissary patrons have traditionally bought FCOJ rather than chilled.

With a nationwide trend toward chilled orange juice, why do military families prefer FCOJ? It is more convenient to carry than chilled, and military shoppers tend to buy more items at a time, making space and the weight of grocery bags a very real consideration, says George de Jager, market research director with the Florida Department of Citrus. Even for families that tend to use primarily chilled orange juice, FCOJ performs a backup function: There's always some in the refrigerator. "You are never out," de Jager says.

Military family at-home consumption of orange juice in all forms rose from 7.9 million gallons in 1978 to 12.1 million gallons in 1980, according to reports, and since then it has leveled off at something more than 10 million gallons annually. As the chart shows, military OJ sales peaked in 1982.

MILITARY O.J. SALES
(millions of gallons)

1983	10.3
1982	10.8
1981	10.1
1980	12.1
1979	9.6
1978	7.9

SOURCE: Florida Department of Citrus

The reason consumers are demanding more chilled orange juice, rather than frozen, is not entirely clear, de Jager says, but some industry analysts credit it to the entry of Procter & Gamble's Citrus Hill brand, and the obvious reason: it is more convenient to reach for the ready-to-use container in the refrigerator, rather than thawing and reconstituting frozen orange juice.

P & G purchased the Ben Hill Griffin Citrus Co. in 1981, and since that time the company has been establishing its position in the market with heavy TV advertising, most of which is promoting the chilled form, he says. The other prime producers of orange juice — Minute Maid brand from Coca-Cola Foods and Tropicana brand from Beatrice Foods — are almost matching Citrus Hill measure for measure in advertising, de Jager says.

Currently, Minute Maid holds about a 20 percent share of the total orange juice market, Tropicana has 12 percent and Citrus Hill holds about 5 percent, he says. The remainder of the orange juice market is fragmented among many other producers, though several regional companies are strong in their respective marketing areas. P & G is striving for a 15 per cent share by the end of 1984, he says.

The total production of canned and frozen reconstituted citrus juices was 952 million gallons in 1983 — up 6 percent; that year's dollar value was $2.9 billion, up 4 percent, according to Florida Department of Citrus figures. Since the freeze hit in late December 1983, it had little affect on the pricing structure for the entire year, he says.

Processed orange juice and grapefruit juice continue to represent 1.2 percent of all food store volume. Traditionally, the volume of orange juice produced and sold is approximately 10 times that of grapefruit, according to de Jager.

Still No. 1

Even though FCOJ is the No. 1 one frozen product in commissaries and in supermarkets in terms of unit and dollar sales, it is almost always shorted in the space allotted to it in supermarket and commissary freezers, de Jager says.

Why don't store managers give it the space it deserves? They don't need to. Individual containers of FCOJ are relatively small, and the store freezer can be well-stocked with fewer facings and still have no stock-outs or lost sales, he says. The No. 2 frozen product category in terms of dollar sales is frozen toppings, and toppings usually have a disproportionately large share of the space in the freezer cabinets because of bulk, he says.

Since 1970 chilled orange juice production has risen 17 percent overall, to 346 million gallons in 1983. FCOJ production has been about flat — around 500 million gallons annually since 1975. The 1983 production was 494 million.

"We've never had a decline in the history of chilled orange juice [since 1967]," says de Jager, "though after the freeze of 1981-82, it was close." Increases from one year to the next have been as much as 24 percent, he says.

The increase in chilled volume is up nationally about 27 percent for the first two reporting periods for 1984 (December-January and February-March), but that figure should decrease as the year progresses, de Jager says. He attributes the projected drop to a lessening of the intensity of advertising by P & G, Coca-Cola Foods, Beatrice and others. Even with this leveling of the growth rate in chilled, it should continue to overtake FCOJ consumption, he says.

After the Florida orange grove freeze in December 1983, chilled prices have risen about 5 percent to 6 percent across the board. FCOJ prices have risen about 10 percent to 11 percent, he says. Commissary prices have already reached 59 cents for the name brands, and civilian prices are higher still.

The Big Potato Fry

"The commissaries are our eighth-largest customer," says Robert Pilz, manager of military sales at Ore-Ida Foods. "They account for 3.5 percent of our total retail in potatoes — really impressive. Sales to the military stores are up a little bit over 1982," he says.

With a sales base in potato products, the company is expanding its line. "Ore-Ida Cob Corn is doing real well," he says. Adding new products is the only way to obtain increases in commissary sales, Pilz says. "They're not adding any new commissaries, but they are revamping a lot of stores — wooing the customers back in. That's different than with Safeway and other chains," he says. "Additional distribution in each store is the only way to really increase business," he says.

Two potato products that Ore-Ida has added within the last year are Golden Patties and Crispy Crowns. "The Golden Patties are doing extremely well," Pilz says. Crispy Crowns "are doing fairly well." Both are extruded potato products designed to be heated quickly and easily in the oven, broiler or pan. To stimulate sales in these new products and in the older ones as well, Ore-Ida has doubled its promotional dollars.

In an effort to stabilize prices and to maintain steady sources of quality potatoes, Ore-Ida has standing contracts that have helped in those two supply aspects. The floods followed by drought that affected much of the country during the spring and summer of 1983 caused price hikes, and Ore-Ida's prices have gone up about 10 percent for the 1983-1984 season. "We weren't hurt as much as some other packers," Pilz says.

Prices on potatoes have gone up "a half dozen times" since last November, says Bud Donald, MSM at Lamb-Weston Inc., with resultant increases on some finished products of 15 percent to 20 percent. Lamb-Weston, a long-time TSA supplier for troop feeding, is just beginning to sell frozen potato products to AFCOMS and TSA stores, mostly in the Midwest. No meaningful comparisons can be made with what its prices were last year.

The key to keeping costs of production down is in not overextending the line until prices come down some, Pilz says. Prices for potatoes on the spot market are very high at this time, he says.

Ore-Ida currently has two items in test market, but Pilz declined to disclose what they are. He tells MILITARY MARKET the company tries to keep its tests as "clean" as possible, meaning the tests include only civilian cus-

tomers. In the corporate opinion, "Military distribution distorts our test market," he says. It is not that military people eat so much differently than civilians, but when the company ships goods to military distributors, it loses track of the final destination, he says.

Vegetables — Plain or Enhanced

"Our market [in frozen vegetables] tracks very close to the civilian market," says Ann Corwell, spokeswoman at Pillsbury Co.'s Green Giant Division. "Pillsbury has a wide range of foods that appeal to many markets — we cater to a whole scope of ages," she says. Foods popular with younger people tend to be convenience foods, she says.

Of course, all frozen vegetables are convenience foods because excess parts of the vegetables are not in the packages. For additional convenience and flavor, many consumers are also looking for vegetables that have sauces and enhancements included, such as the Green Giant line of boil-in-bag vegetables with cheese, cream or other types of sauces, Corwell says.

Introduced in 1982, Green Giant Harvest Fresh is a line of frozen vegetables that does not include sauces or enhancements. "They are frozen in natural juices with just a little water added to aid in the cooking process, but no sauces," Corwell says. This line of products is made to satisfy a national trend toward natural food, she says. "As popular as the Harvest Fresh line has been, it has not taken anything away from other lines. There definitely is a market for both," she says, defending the market position for Green Giant frozens in sauces. "The Harvest Fresh line has met every sales expectation, she says."

In a competitor's line, the excitement is also in the return to natural — frozen vegetables without sauces. "There is a trend toward large sizes [of frozen vegetables] in the military stores," says Ellis Reynolds, MSM at General Foods' Birdseye Division. These are 16-ounce poly bags, which contain vegetables processed IQF (individually quick frozen), and then packed loosely in the bags. Most of these products are packed plain with no spices, sauces or enhancements of any kind. "This is fitting quite well with the trend [for more natural foods]," he says.

But "sauced vegetables have carved out a nice share of the market," Reynolds says. Birdseye produces 21 vegetables and vegetable mixes with sauces in the 10-ounce size. "They're convenient, quick and enhanced with cream, cheese and onion sauces. It's hard to say which sells better — plain or enhanced. They fit nicely with the [contemporary] life style," he says.

Farm Fresh is General Foods' line of frozen vegetables and has been around about two years, Reynolds says. "It includes simple boxes of peas and corn to complex variety bags of mixed vegetables," he says. The larger sizes are the plain product, such as peas and corn, he says.

General Foods' Birdseye brand is the most popular national brand of frozen vegetables, based on dollar sales. The company intends to hold on to that position by constantly trying out new ideas in frozen vegetable mixes and package sizes, Reynolds says. By test marketing and introducing new items to the consumer market from time to time, officials at the company are convinced that the consumer's preferences can change — she *can* be influenced to buy.

Another large supplier to the commissaries worldwide in the frozen vegetable category is United Foods Inc. with its Winter Garden, Stokely and Delaney brands. What are referred to as commodity vegetables — green peas, green beans, cauliflower, broccoli, corn and others — are packed in 10-ounce boxes and 16-ounce poly bags, says Mike Sproule, assistant director of military sales. "The fastest-moving item is cut corn," he says.

United Foods also produces frozen fruits under the Stokely label, almost exclusively in the 16-ounce poly bags. The one exception is sliced, sugared strawberries, which are available in 10-ounce boxes under the Winter Garden label. The 16-ounce poly bags of fruits include strawberries, raspberries, blueberries, rhubarb, mixed fruits and melon balls. "They all move well, but the best-selling fruit is strawberries," Sproule says. "Strawberries are 50 percent of the business," he says.

'Upscale Is Nothing New'

"Not everyone wants plain vegetables all the time," says Marguerite Dannemiller, spokeswoman for Stouffer Foods. Stouffer's creamed and sauced vegetables are doing bet-

ter than ever, she says. "There is a more sophisticated taste among American consumers, but they don't want to spend all day in the kitchen. They want something more interesting — they want to try more unusual dishes," she says.

Stouffer has attempted to satisfy that consumer need with its side dishes. "Upscale is nothing new for us — we've been doing it for years," Dannemiller says. The most popular side dish in the line is frozen spinach soufflé. "We've been making it for 30 years. It's as popular now as when it first came on the scene," she says.

"Consumers want more value for their dollar, and they want more convenience." she says.

Other popular Stouffer frozen vegetable side dishes are broccoli in cheddar sauce and green beans with mushrooms. The Stouffer side dishes — 13 in all — are measured to make two or three average-sized servings. Many times, however, consumers — especially dieters — eat a frozen side dish as an entire meal, Dannemiller says.

Pudding and Gelatin Sweeten Sales

"Frozen novelties [like Jello Pudding Pops] are a reasonably new category for us," General Foods' Reynolds says. "It's doing extremely well from the consumer acceptance point of view and from the trade dollars profit point of view. The line was extensively tested and then introduced two years ago," he says.

From that starting point, the line has undergone changes. It doesn't look the same as it did two years ago, he says. The most popular flavor, chocolate, has been the favorite among consumers from the start, but other flavors haven't fared as well.

Two of the original flavors, vanilla and banana, may be discontinued, he says. Two others, chocolate-vanilla swirl and chocolate-caramel swirl, are already making their way into the commissary freezers. Company officials expect much greater consumer acceptance for them.

The new flavors are available in the 12-pack and the 18-pack and are also to be included in a variety pack. "We found a couple of new items that we think fit the strategy better," Reynolds says.

With the success of pudding pops fresh in the corporate mind, the decision has been made to expand into frozen Gelatin Pops as well. The flavors that will soon be available in the commissaries are strawberry, orange, cherry and raspberry. In addition to single-flavor 12-packs and 18-packs, they will be incorporated in variety packs that will include the four flavors combined.

In summing up General Foods' marketing strategy, Reynolds tells MILITARY MARKET that the company will continue to appeal to its customer's desire for innovative products. "She's always looking for something new," he says.

MM

Winter Garden brings you everything in Grade "A" frozen vegetables from coast to coast. Over 75 products — the broadest line available in the military market today. 8 major plants fill a supply system that assures you of all the product you can sell — year round! See your Dunham & Smith representative for all the products from the Winter Garden land of plenty.

Winter Garden - Stokely - Freezer Queen Brands

United Foods, Inc.
Bells, Tennessee 38006

Reaching the Young, Minority Fashion Shopper:

Are the Resales Doing Enough?

Today's minority soldier and sailor have been encountering their share of difficulties trying to find the fashionable clothing styles in the proper sizes at the exchanges. Many of them are shopping off base at malls or are relying on care packages from home for their fashion apparel. Military Market takes a look at some of the problems and possible solutions to meeting their special needs.

By JAY BLUCHER
Associate Editor

THERE IS AN ADAGE whispered among old-timers in the military that you can always tell when the exchange has received a new shipment of clothing — everyone at the NCO Club will be wearing the same shirt that you are.

"On several occasions, young black soldiers have told me quite candidly that they don't even bother looking in the exchange for the types of clothing styles and fashions they desire," Eula Brown, special assistant for minority business utilization at AAFES, tells MILITARY MARKET. "They just know from past experience that the exchange is not going to stock what they want. They don't even bother to look."

Such an impression, valid or not, raises serious questions about the exchange systems' resolve and committment to serve the fashion needs of the young minority soldier in the military. On many installations, particularly overseas, the exchange may be the only outlet at which a young soldier in a foreign country can purchase fashion apparel.

"In my travels to overseas installations, it's not at all uncommon for young black or Hispanic soldiers to tell me that they will shop on the economy for their clothing, or in the case of soldiers stationed stateside, to go to the shopping malls downtown for clothes," says Brown.

"It is clearly a myth that today's young minority soldiers are not willing to pay higher prices for clothing that they feel better suits their life style after the duty day is over. They are looking for good quality fashion merchandise and will pay a higher price for good quality."

A Matter of Size

Young soldiers sound off that they are not only disappointed that they cannot find fashionable clothing at the exchange, but also say they cannot find clothing in their sizes.

"I was personally frustrated on many occasions when I tried to find clothes at the exchange that were not only fashionable, but also fit me," explained a young black soldier to MILITARY MARKET. "I am also convinced that there are many other guys in the service, a lot of my friends as well, who have encountered the same problems."

A fashion analyst at the Fashion Institute of Technology in New York explains this anomaly. "Black people are built differently than white people, and very often clothing in the states is simply not designed with the black consumer in mind. Waists [of blacks] are higher [than whites], they're generally smaller, hips protrude more and are usually higher on the body for black people. Thighs are usually thicker, while their extremities are often longer, as well."

Is There an Ethnic Fashion?

While there are size differences among ethnic types, the concept of ethnic "fashion," per se, is difficult to define or pinpoint.

"The term 'ethnic fashion' is something I have been working very hard to erase," Brown says. "There is no such thing as an ethnic look anymore, but rather it is a combination of several looks — preppy, conservative and a wide mix of styles and influences."

Kermeth Morgan, of Le Mans, a slacks manufacturer that specifically targets the minority customer, agrees with Brown. "It's hard to really define in one word. We have toyed with several names and none of them

SIZE DIFFERENTIALS BETWEEN BLACKS AND WHITES: WAIST AND CHEST

	Waist Size	
	Blacks	Whites
Average	33.7	35.2
Ages: 18-24	30.1	32.2
25-34	33.6	34.2
35-44	35.0	35.0
45-54	34.7	36.2
55-64	34.5	36.9
65-74	33.5	36.7
75-79	32.2	36.0

	Chest size	
	Blacks	Whites
Average	38.0	39.3
Ages: 18-24	36.5	38.0
25-34	38.6	39.2
35-44	39.0	39.7
45-54	38.5	39.9
55-64	37.9	39.6
65-74	36.3	39.1
75-79	34.9	38.1

SIZE DIFFERENTIALS BETWEEN BLACKS AND WHITES: HEIGHT

	Height	
	Blacks	Whites
Average	67.8	68.3
Ages: 18-24	68.4	68.8
25-34	68.4	69.3
35-44	67.9	68.6
45-54	68.0	68.3
55-64	66.7	67.5
65-74	66.9	66.9
75-79	65.2	65.9

SIZE DIFFERENTIALS BETWEEN BLACKS AND WHITES: WEIGHT

	Weight	
	Blacks	Whites
Average	164.0	168.2
Ages: 18-24	153.6	161.6
25-34	171.7	171.5
35-44	173.8	172.2
45-54	166.0	172.4
55-64	158.2	167.1
65-74	148.4	161.0
75-79	134.3	151.2

SOURCE: U.S. Department of Health and Human Services

sounds quite right. It's not really ethnic fashion, or high fashion or even 'forward' fashion. It's a style and image that the young black or Hispanic feels closely fits their life style."

"There is probably no other category of merchandise which makes such a profoundly personal statement as fashion merchandise," says Brown. "Everyone wants to make a statement, project an image by the clothes they wear, and you can be sure that if GIs don't find it at the exchange, they will go elsewhere."

Several manufacturers contacted by MILITARY MARKET said there is no true sense of what determines an ethnic fashion. "The last sense of anything truly ethnic was the 'Dashiki look' of several seasons ago," remarked one spokesman.

In the past 10 years most manufacturers agree that all customer mixes are wearing similar fashions to a much greater degree than in the past — a fact not lost on AAFES' merchandising mix. Young minority soldiers and sailors alike have been clamoring for more modern, upbeat fashion labels and designers in the exchange's merchandise, however. Eula Brown notes that there are "several other" fashion vendors being reviewed for the near future to meet the desire for a more multi-dimensional mix of clothing at the exchange.

Brown also tells MILITARY MARKET that AAFES will be setting aside special sections and areas in each of its major exchanges to coincide with the back-to-school rush for clothing.

"The trend toward a more conservative dress in clothing has definitely narrowed the fashion gap between black, Hispanic and white customers — there are no clear-cut lines anymore that tell you this is ethnic fashion, or this is not," explains one clothing manufacturer's rep who didn't want to be named. "I guess it's the ol' 'melting pot syndrome.' The days of high fashion and the Super Fly look that were readily identifiable are all in the past."

"There are no longer the barriers in style preferences between the two groups [blacks and whites] that existed three or four years ago. I see a lot of crossover buying. I'm not sure that ethnic fashion as a distinct category per se even exists anymore,' adds a spokesman for Blye International, a large manufacturer of black men's apparel.

Luring Back the Mall Shopper

AAFES is making a renewed effort to reach younger, sometimes cynical exchange shoppers and lure them back to the aisles. For instance, the AAFES fall and winter 1984 assortment will include young men's fashion coordinate groups from such sources as Pacific Coast Highway, Jordache, In-Private, Jean-Paul Germain, Members Only, Sergio Valente, Union Bay and Dee Cee. These latest fashion styles and materials, including combinations of cotton canvas, fleece, chintz and other fashion materials, are specifically targeted to the younger soldier.

"We are taking some risks in regard to merchandise selections," admits James Beachler, director of AAFES merchandising. "Branch management can be extremely helpful by providing feedback [to headquarters] about which fashion groups are top sellers or slow sellers."

Adds minority business expert Eula Brown, "There is definitely a push under way to better service our younger, single customer, with particular emphasis toward the minority soldiers. For a long time, the exchange has needed to add another dimension to its fashion mix. Stores will be deciding on the quantities of this high fashion merchandise they want to sell, based on their store's customer mix and profile," she explains.

Speaking to the Bottom Line

In defense of AAFES, its clothing departments often find themselves in the unenviable retail position of trying "to be all things to all people" — sometimes resulting in a haphazard, mish-mash collection of budget, mid-price and designer clothing labels. Unlike their civilian retail counterparts, the exchanges are not afforded the luxury of serving one well-defined and carefully targeted market segment.

"The problem with trying to be all things to all people is that you run the danger of being nothing to anyone," says Bernard Gillette, chief of AAFES' Apparel and Accessories Branch.

The exchange's *raison d'etre* is to serve military patrons — all 11.7 million of them, a total that comes very close to the combined populations of New York and Los Angeles, the country's top retail markets. Such a broad market universe demands attention to the more specialized segments within the consumer base. Ethnic fashions are only one such segment, among many.

The fashion considerations of the minority or ethnic consumer are varied — their tastes and purchasing motivations are subject to different considerations and whims than the 72 percent-plus Caucasian population within the military.

"Marketers cannot afford to ignore the ethnic market," explains one apparel company representative. "The sheer numbers and growth potential of this market speak directly to anybody's bottom line."

Hispanics: Fastest Growing

"By the year 2000, there will be three languages in the United States — English, Spanish and computer," says author John Naisbitt in his 1984 best-selling book, "Megatrends." Marketers might be well advised to heed his prediction.

The Hispanic population has registered a full 2 percent increase over the previous census, and its growth is pegged at six times the national average. The Hispanic population has supplanted blacks as America's fastest growing minority group within the last 20 years.

Many market analysts peg the Hispanic market at more than 20 million, with an aggregate family income of more than $70 billion a year in 1984. The Hispanic population may, in fact, be much bigger than this figure. By 1990 some estimators predict that the Hispanic population will grow to about 40 million. Recent population figures estimate that by the turn of the century, every fifth to sixth person in the U.S. will be a Hispanic immigrant or of Spanish origin.

The U.S. Census Department identifies Hispanics as young, with large families, living in urban clusters, and being increasingly mobile as they fan out from the traditionally Hispanic enclaves of California (where 4.5 million Hispanics live), Texas (3 million) and New York City (2 million). They are largely Mexican, Cuban and Puerto Rican, although Central Americans, particularly Salvadorans, are flooding into California in increasing numbers.

The census does not show that there may be as many as 10 million undocumented Hispanic aliens in the country. In the top five Hispanic markets, 35 percent live in the suburbs and more than 50.8 percent in the central cities.

Such a highly concentrated market is readily targetable. "It's the easiest ethnic market to target, because it's so concentrated. It defies reason why somebody hasn't done it sooner," one major apparel retailer tells MILITARY MARKET.

But the answers to reaching the ethnic consumer do not always lie in numbers and statistics. "Those marketers seeking to tap into the Hispanic market have to get a better fix on the nuances that drive the major subgroups within the Hispanic market," Jeffrey Johnson, manager of marketing services for Gannett Outdoor Group tells MILITARY MARKET.

Research by Johnson's organization, which is based in Phoenix, pegs Hispanics' total income at about $200 billion by the end of the decade. A 1981 Yankelovich, Skelly & White study showed that about 30 percent of Hispanics earned $20,000 or more.

Hispanics are also younger than the total population (54 percent are below age 35), and their households are larger (about 3.7 persons compared with 2.8 for all U.S. households). Younger, larger families make more of their clothing purchases at the exchange.

As the Yankelovich study notes, "The U.S. Hispanic population is more likely than Anglos to value name or advertised brands [and] be brand loyal, yet at the same time [they] seem receptive to new products."

Also, 20 percent of Hispanics in the top five Hispanic markets speak only English, 30 percent are bilingual and 50 percent are Spanish-speaking only, according to Sosa & Associates, a San Antonio-based advertising agency that tracks the markets in the nation's 33 major Hispanic population centers.

One feature of the Hispanic market of particular note to the exchange manager is that established products usually keep doing well. Like other ethnic groups that are moving upward economically, Hispanic-Americans tend to buy top brands and names they recognize, rather than generic products.

"In Hispanic families, children will probably grow up buying the same products as their parents," says Johnson.

Déjà Vu?

The efforts to reach the Hispanic market echo the trend of a decade ago when companies began courting black consumers. There are 26.5 million blacks in the nation.

"Blacks in the military are better educated than ever before and often more sophisticated in their buying habits," says Lafayette Jones, executive director for the American Health and Beauty Aids Institute, an ethnic H&BA group. "They are also loyal to the brands they prefer. If the exchange doesn't carry the clothing they desire, most black consumers will go elsewhere to make a purchase rather than select a different brand."

Research in this area also shows that black consumers are quality conscious, favoring middle-to-top-priced products. They also spend a greater percentage of their income on both clothing and H&BA products than their white counterparts.

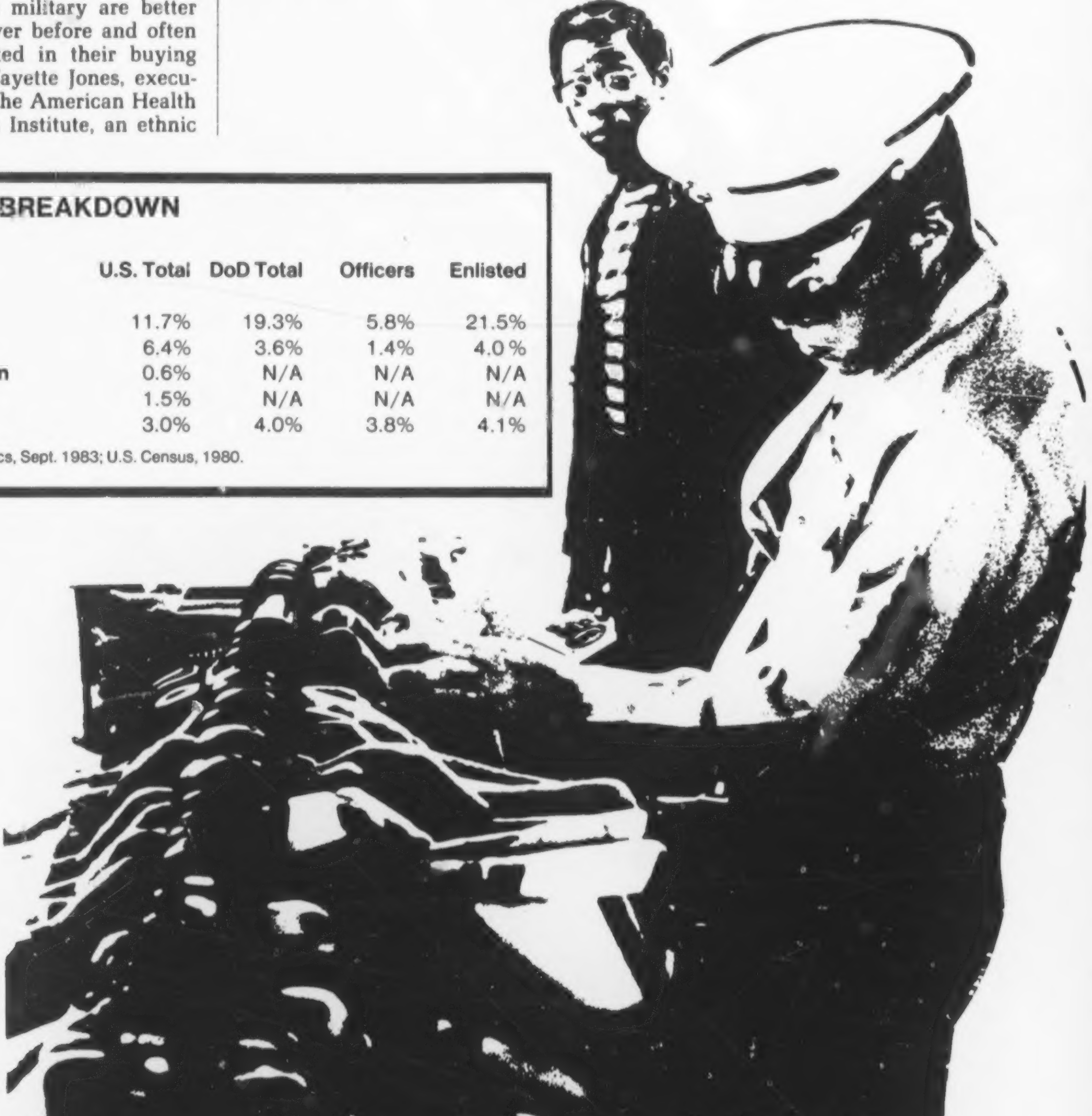
"Wise exchange buyers and retailers near military facilities should recognize this black marketing bonanza," says Jones. "Through proper buying, pricing, in-store presentations, shelving and promotion they can provide an invaluable service."

MM

MINORITY BREAKDOWN

	U.S. Total	DoD Total	Officers	Enlisted
Blacks	11.7%	19.3%	5.8%	21.5%
Hispanics	6.4%	3.6%	1.4%	4.0%
American Indian	0.6%	N/A	N/A	N/A
Asian/Pacific	1.5%	N/A	N/A	N/A
All other	3.0%	4.0%	3.8%	4.1%

Source: DoD Statistics, Sept. 1983; U.S. Census, 1980.



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Commissaries

		FEBRUARY			YEAR-TO-DATE		
		CY'83	CY'82	%	CY'83	CY'82	%
Air Force	CONUS	$144,386	$132,441	+9.02	$287,215	$268,702	+6.89
	OVERSEAS	28,303	27,126	+4.34	55,884	54,181	+3.14
	TOTAL	**172,689**	**159,567**	**+8.22**	**343,099**	**322,883**	**+6.26**
Army	CONUS	112,245	90,168	+24.48	214,410	198,432	+8.05
	OVERSEAS	39,165	26,936	+45.40	76,335	66,872	+14.15
	TOTAL	**151,410**	**117,104**	**+29.30**	**290,745**	**265,304**	**+9.59**
Navy	CONUS	55,570	47,923	+15.96	108,600	97,800	+11.04
	OVERSEAS	6,544	5,577	+17.34	12,521	11,245	+11.35
	TOTAL	**62,114**	**53,500**	**+16.10**	**121,121**	**109,045**	**+11.07**
Marines	CONUS	12,817	10,792	+18.76	25,277	21,639	+16.81
	OVERSEAS	172	167	+2.99	346	341	+1.47
	TOTAL	**12,989**	**10,959**	**+18.52**	**25,623**	**21,980**	**+16.57**
Coast Guard	CONUS	228	269	-15.24	461	544	-15.26
	OVERSEAS	268	175	+53.14	518	392	+32.14
	TOTAL	**496**	**444**	**+11.71**	**979**	**936**	**+4.59**
All Commissaries	CONUS	325,246	281,593	+15.50	635,963	587,117	+8.32
	OVERSEAS	74,452	59,981	+24.13	145,604	133,031	+9.45
	TOTAL	**$399,698**	**$341,574**	**+17.02**	**$781,567**	**$720,148**	**+8.53**
Grocery Stores	U.S.[1]	**$19.597 bil.**	**$17.878 bil.**	**+9.62**	**$39.515 bil.**	**$36.770 bil.**	**+7.47**

Exchanges

		FEBRUARY			YEAR-TO-DATE		
		CY'83	CY'82	%	CY'83	CY'82	%
AAFES	CONUS	$207,104	$204,250	+1.40	$397,055	$384,668	+3.22
	OVERSEAS	143,393	144,331	-0.65	282,739	280,064	+0.96
	TOTAL	**350,497**	**348,581**	**+0.55**	**679,794**	**664,732**	**+2.27**
Navy	CONUS[2]	81,526	80,493	+1.28	141,893	140,958	+0.66
	OVERSEAS[2]	34,708	34,446	+0.76	62,612	61,879	+1.18
	TOTAL[2]	**116,234**	**114,939**	**+1.13**	**204,505**	**202,837**	**+0.82**
Marines	CONUS	32,277	29,770	+8.42	48,856	47,261	+3.37
	OVERSEAS	5,099	5,526	-7.73	3,687	9,585	-9.37
	TOTAL	**37,376**	**35,296**	**+5.89**	**57,543**	**56,846**	**+1.23**
Coast Guard	CONUS[3]	5,663	5,491	+3.13	10,558	10,238	+3.13
	OVERSEAS[3]	701	748	-6.28	1,313	1,396	-5.95
	TOTAL[3]	**6,364**	**6,239**	**+2.00**	**11,871**	**11,634**	**+2.04**
Mail Order	CONUS[4]	1,686	1,677	+0.54	3,183	2,958	+7.61
	OVERSEAS[4]	4,048	4,788	-15.46	8,066	8,585	-6.05
	TOTAL[4]	**5,734**	**6,465**	**-11.31**	**11,249**	**11,543**	**-2.55**
All Exchanges	CONUS	328,256	321,681	+2.04	601,545	586,083	+2.64
	OVERSEAS	187,949	189,839	-1.00	363,417	361,509	+0.53
	TOTAL	**$516,205**	**$511,520**	**+0.92**	**$964,962**	**$947,592**	**+1.83**
Department Stores	U.S.[1]	**$7.467 bil.**	**$6.318 bil.**	**+18.19**	**$14.733 bil.**	**$12.84 bil.**	**+14.74**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

Military Market

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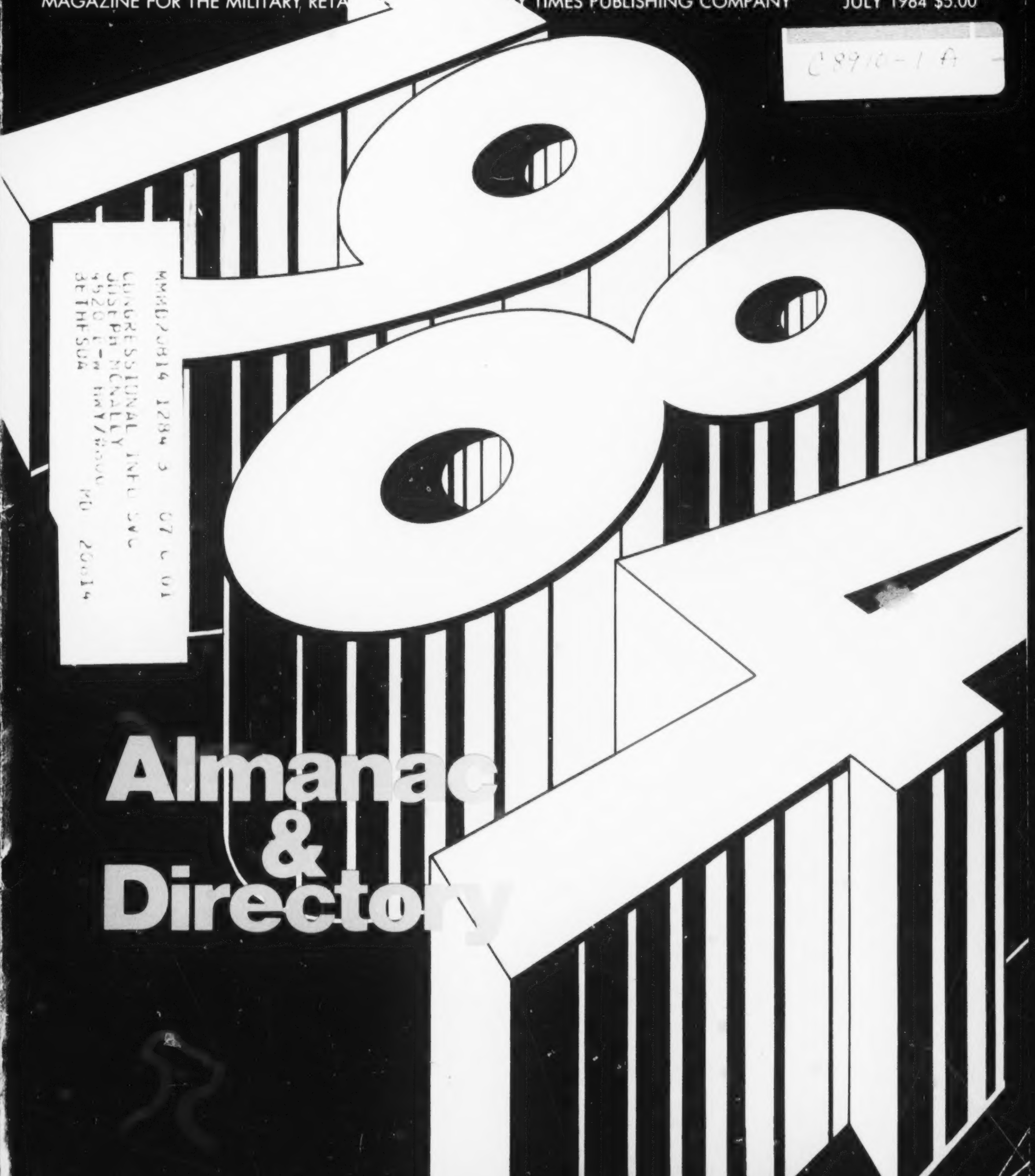

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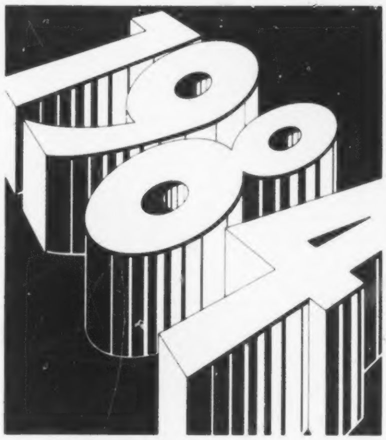

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November: Warehousing, Dairy, BB&L, AAFES

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Military Market survey

Couponing Redemptions Up

Managers report minimal fraud, need for uniformity

COUPONING IS INCREASING in all of the commissary systems, according to the results of this month's survey. Nineteen of the 20 commissary managers contacted tell MILITARY MARKET that coupon redemptions are dramatically up in their stores. The one manager who said couponing had stayed the same nevertheless noted that over the last five years the general trend has been upward.

"We get bales and bales of 'em in here. Sometimes we get so many they get in the way of walking around the office. It's great for business and great for the customer, but there are times when it's a real hassle to deal with them at all," remarked a TSA store manager.

Most commissary managers fingered current national economic conditions as the reason for the surge in customer couponing. "It's clear that today's commissary shopper is trying to stretch their food dollar as far as it will go, and clipping coupons is one sure way of doing just that," said one Navy commissary manager.

Other factors, such as the growing consumer awareness of the value offered by couponing and the fact that many companies are stressing coupons to a greater extent, were also cited. An overwhelming majority — 18 of the 20 managers — also believed that coupons offer an opportunity for the patron to "beat the surcharge."

"I hadn't really thought of it like that before, but that's excatly what they're doing. Saving 5 percent is probably quite easy for the average couponer," said another manager.

Household items, frozen foods, pet foods and prepared foods were at the top of the list of product categories that boast the highest redemptions in most commissaries. One trend that also appeared to be increasing is for manufacturers to place coupons directly on the shelves near a product, or else directly on the product.

"We have found that this really gets the customer's attention. For example, large bags of dog food practically flew out of the store the week that the manufacturer placed a coupon display on the shelf," said one AFCOMS store manager. "We like to encourage this sort of activity."

Managers were evenly divided, with 10 saying military publications were the source of most coupons, and another 10 citing civilian publications, particularly Sunday newspapers. Eighteen managers said they would like to see even more couponing in the future. "They are just as good as money as far as I'm concerned," said a Navy store manager.

Coupon fraud appears to be a not very serious problem within the commissaries, with 15 managers reporting it represented no problem at all, and five saying the problem was very small. "We had an incident where one cashier was helping some friends out with coupons. But now I think everyone realizes that such practices are no different from any other kind of fraud, and you can lose your job."

A unanimous 20 managers agreed that they would like to see coupons become more standardized in the future, with UPC codes for scanning as well. "I would also suggest that the expiration dates be printed larger and bolder and in the same spot on each coupon. Sometimes you need a magnifying glass to see those little jaspers," said a TSA commissary manager."

Coupon exchange boxes are a fixture at 15 of the commissaries surveyed, and are also often located at wives clubs and other community organizations on military installations.

Twelve of the store managers were quick to point out that coupons can increase customer satisfaction, and eight of them said the cents-off certificates can readily increase a store's sales. "Coupons are a marketing strategy that really works. I've watched people go out of their way to seek out the specific products that they hold coupons for. Even advertising can't always make that claim," concluded another commissary manager. MM

1 — WITHIN THE LAST YEAR, HAS THE USE OF COUPONS GONE UP, DOWN OR STAYED THE SAME FOR YOUR STORE? Up — 19. Down — 0. Same — 1.

2 — WHAT POSSIBLE FACTORS DO YOU SUPPOSE ACCOUNT FOR THIS CHANGE? Consumer awareness is growing — 5. Economic considerations — 10. Companies are stressing couponing more — 5.

3 — DO YOU BELIEVE A COMMISSARY PATRON CAN "BEAT THE SURCHARGE" BY USING COUPONS? Yes — 18. No — 2.

4 — WHAT PRODUCT CATEGORIES HAVE THE HIGHEST COUPON REDEMPTION IN YOUR STORE?* Breakfast cereals — 0. Coffee — 2. Frozen Foods — 4. Pet foods — 5. Prepared foods — 3. Household items: paper products, soap, etc. — 9. Dairy — 0. Cigarettes — 3. Other — 1.

5 — WHAT IS THE SOURCE OF MOST OF THE COUPONS REDEEMED AT YOUR STORE? Military publications — 10. Civilian publications — 10. From the mail — 0. In-store handouts, on-shelf displays, etc. — 0.

6 — WOULD YOU LIKE TO SEE EVEN MORE COUPONS ISSUED? Yes — 18. No — 2.

7 — HOW MUCH OF A PROBLEM HAS COUPON FRAUD BEEN FOR YOUR STORE? DO YOU FEEL THAT THIS PRACTICE IS GROWING? Very small — 5. No problem — 15.

8 — THE GROCERY MANUFACTURERS' ASSOCIATION RECENTLY COMPLETED A STUDY CONCERNING COUPONING AND MADE SOME RECOMMENDATIONS FOR THE FUTURE. AMONG THESE WERE THAT COUPONS BE STANDARDIZED IN TERMS OF SHAPE, SIZE AND CONTENT. WOULD YOU LIKE TO SEE COUPONS STANDARDIZED? Yes — 20. No — 0.

9 — WOULD YOU LIKE TO SEE COUPONS BECOME SCANNABLE WITH UPC CODES? Yes — 20. No — 0.

10 — WHAT ADVANTAGES DO COUPONS OFFER TO YOU, AS A STORE MANAGER? Increased sales — 8. Customer satisfaction — 12. Identify slow movers — 0. Reduce high inventories — 0.

11 — DO YOU OFFER NOW (OR ARE YOU PLANNING TO OFFER) A COUPON-EXCHANGE BOX? Yes — 15. No — 5.

*Adds to more than 20 because of multiple responses.

Military Market

The Almanac

Twenty-fifth Annual Statistical Review of the Military Resale Market

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The Market

The resale systems' potential customer pool as of March 1984 was made up of more than 11.7 million active duty, retired and reservist military personnel and their dependents. More than half of all active duty personnel are 25 years old or younger, while nearly 38 percent of military customers are retirees or their dependents.

RESERVE FORCES IN PAID STATUS

ARMY NATIONAL GUARD	
Officers	41,678
Enlisted	375,500
Total	**417,178**
ARMY RESERVE	
Officers	49,970
Enlisted	216,218
Total	**266,188**
NAVAL RESERVE	
Officers	20,610
Enlisted	88,474
Total	**109,084**
MARINE CORPS RESERVE	
Officers	3,000
Enlisted	38,005
Total	**41,005**
AIR NATIONAL GUARD	
Officers	12,666
Enlisted	89,482
Total	**102,148**
AIR FORCE RESERVE	
Officers	14,417
Enlisted	52,810
Total	**67,227**
TOTAL DoD RESERVES	
Officers	142,341
Enlisted	860,489
Total	**1,002,830**
COAST GUARD RESERVE*	
Officers	1,564
Enlisted	10,592
Total	**12,156**
TOTAL ALL SERVICES	
Officers	143,905
Enlisted	871,081
Total	**1,014,986**

As of Sept. 30, 1983

*The Coast Guard is part of the Department of Transportation.

SOURCE: Department of Defense and Department of Transportation

POPULATION OF THE MILITARY COMMUNITY

ACTIVE DUTY		
Active duty military	2,176,000	18.6%
Spouses of active duty military	1,154,000	9.8%
Other dependents of active duty	1,630,000	13.9%
Total	**4,960,000**	**42.3%**
RETIREES		
Retired military	1,419,000	12.1%
Spouses of retired military	1,252,000	10.7%
Other dependents of retirees	1,730,000	14.8%
Total	**4,401,000**	**37.6%**
RESERVISTS*		
Reservists in paid status	1,003,000	8.6%
Spouses of reservists	630,000	5.3%
Children of reservists	725,000	6.2%
Total	**2,358,000**	**20.1%**
GRAND TOTAL	**11,719,000**	**100%**

*Does not include Coast Guard reserves

As of March 1984

SOURCE: Personnel Budget for FY 1984

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

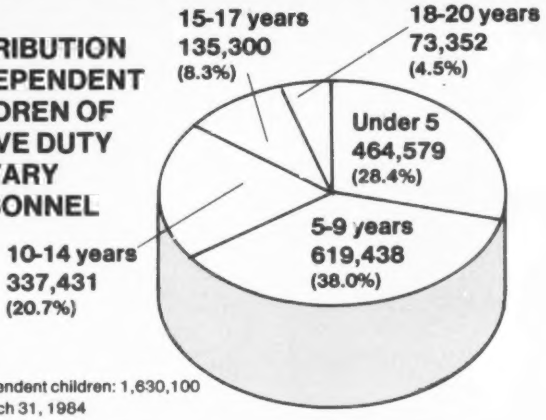
	MEN	WOMEN	ALL
Under 21 years	19.7%	19.1%	19.6%
21 — 25 years	34.4%	44.4%	35.3%
26 — 29 years	15.7%	20.3%	16.2%
30 — 35 years	15.9%	12.5%	15.6%
36 — 39 years	7.8%	2.3%	7.3%
40 years and over	6.5%	1.4%	6.0%

As of Sept. 30, 1983

Does not include Coast Guard

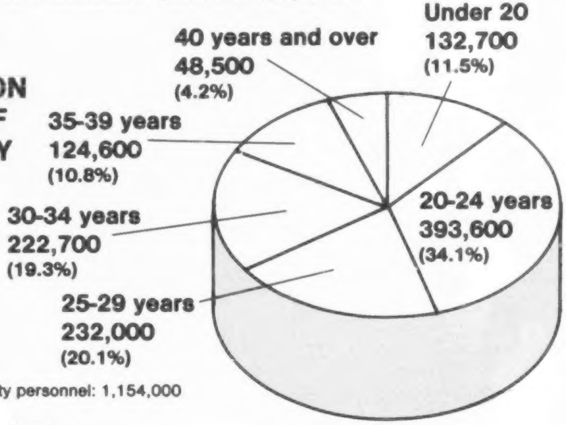
SOURCE: DoD Information Operations and Reports and the Pentagon

AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY PERSONNEL



Total dependent children: 1,630,100
As of March 31, 1984
Includes Coast Guard
SOURCE: Department of Defense and Department of Transportation

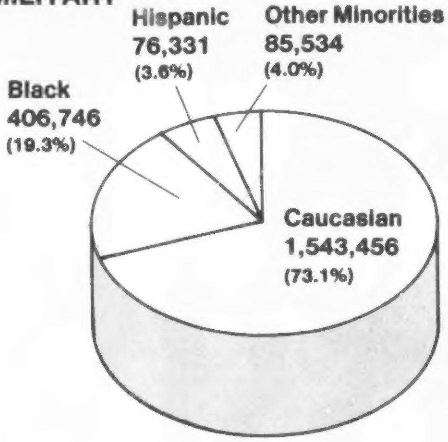
AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY



Total wives of active duty personnel: 1,154,000
As of March 31, 1984
Includes DoD and Coast Guard
SOURCE: Department of Defense and Department of Transportation

Women made up 9.3 percent of the forces, and blacks, Hispanics and other minorities accounted for 26.9 percent. About 45 percent of all military wives were 24 years old or younger, while two-thirds of military children were less than 10 years old.

RACE BREAKDOWN OF ACTIVE DUTY MILITARY



Total active duty: 2,112,067
As of September 1983
Does not include Coast Guard
SOURCE: Department of Defense

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	CY 1983	CY 1982	CY 1981	CY 1980	CY 1979
Total active duty	2,123,349	2,108,612	2,082,560	2,050,627	2,027,494
Percent male	90.7	91.0	91.1	91.6	92.6
Percent female	9.3	9.0	8.9	8.4	7.4

As of Sept. 30, 1983
Does not include Coast Guard
SOURCE: Department of Defense

1984 The Market

ACTIVE DUTY MILITARY PERSONNEL BY RANK, SEX AND SERVICE

RANK	ARMY		NAVY		MARINE CORPS		AIR FORCE	
OFFICERS	Male	Female	Male	Female	Male	Female	Male	Female
O-7—O-10	393	2	247	2	65	0	335	3
O-6	4,641	82	3,663	91	587	5	5,343	77
O-5	10,406	301	7,363	305	1,560	32	12,185	334
O-4	15,367	1,099	11,713	1,062	2,995	62	18,223	930
O-3	30,363	3,960	17,839	2,347	5,126	142	33,877	4,616
O-2	10,601	2,066	9,344	1,240	4,423	188	12,597	2,627
O-1	9,675	1,794	9,005	1,234	3,239	159	11,436	1,973
WARRANT OFFICERS	14,738	186	3,020	19	1,365	35	0	0
TOTAL OFFICERS	96,184	9,490	62,194	6,300	19,360	623	93,996	10,560
ENLISTED								
E-9	4,128	17	3,723	8	1,234	9	4,818	13
E-8	15,699	133	8,770	44	3,715	30	9,638	29
E-7	49,085	1,058	29,224	338	8,873	129	34,957	259
E-6	80,496	4,481	64,947	2,495	14,667	435	52,722	1,815
E-5	106,240	12,783	87,414	8,605	24,830	1,563	93,537	11,996
E-4	143,557	22,558	92,942	11,174	30,313	2,087	85,766	18,877
E-3	99,542	13,876	84,926	11,080	42,466	2,207	108,755	15,815
E-2	44,896	5,238	40,226	4,074	24,751	1,215	19,732	3,336
E-1	59,689	5,888	31,919	2,659	14,984	598	18,320	2,637
TOTAL ENLISTED	603,332	66,032	444,091	40,477	165,833	8,273	428,245	54,777
CADETS AND MIDSHIPMEN	4,102	503	4,196	315	0	0	3,938	528
GRAND TOTAL	703,618	76,025	510,481	47,092	185,193	8,896	526,179	65,865

RANK	COAST GUARD			TOTAL ALL SERVICES			TOTAL DOD		
OFFICERS	Male	Female	Total	Male	Female	Total	Male	Female	Total
O-7—O-10	28	0	28	1,068	7	1,075	1,040	7	1,047
O-6	343	0	343	14,577	255	14,832	14,234	255	14,489
O-5	630	0	630	32,144	972	33,116	31,514	972	32,486
O-4	937	5	942	49,235	3,158	52,393	48,298	3,153	51,451
O-3	1,509	36	1,545	88,714	11,101	99,815	87,205	11,065	98,270
O-2	1,054	67	1,121	38,019	6,188	44,207	36,965	6,121	43,086
O-1	428	41	469	33,783	5,201	38,984	33,355	5,160	38,515
WARRANT OFFICERS	1,456	1	1,457	20,579	241	20,820	19,123	240	19,363
TOTAL OFFICERS	6,385	150	6,535	278,119	27,123	305,242	271,734	26,973	298,707
ENLISTED									
E-9	316	0	316	14,219	47	14,266	13,903	47	13,950
E-8	502	1	503	38,324	237	38,561	37,822	236	38,058
E-7	2,637	10	2,647	124,776	1,794	126,570	122,139	1,784	123,923
E-6	5,032	127	5,159	217,864	9,353	227,217	212,832	9,226	222,058
E-5	4,878	336	5,214	316,889	35,283	352,182	312,021	34,947	346,968
E-4	6,227	474	6,701	358,805	55,170	413,975	352,578	54,696	407,274
E-3	5,357	342	5,699	341,046	43,320	384,366	335,689	42,978	378,667
E-2	4,380	624	5,004	133,985	14,487	148,472	129,605	13,863	143,468
E-1	984	135	1,119	125,896	11,917	137,813	124,912	11,782	136,694
TOTAL ENLISTED	30,313	2,049	32,362	1,671,814	171,608	1,843,422	1,641,501	169,559	1,811,060
CADETS AND MIDSHIPMEN	706	105	811	12,942	1,451	14,393	12,236	1,346	13,582
GRAND TOTAL	37,404	2,304	39,708	1,962,875	200,182	2,163,057	1,925,471	197,878	2,123,349

As of Sept. 30, 1983 SOURCE: Department of Defense and Department of Transportation

Compensation

INCOME OF THE MILITARY COMMUNITY FY 1984

Active duty military, total	**$63.4 billion**
Military pay, allowances, benefits	56.3 billion
"Moonlighting" and working spouses' income	7.1 billion
Retired military, total	**$47.6 billion**
Pensions	16.8 billion
2nd career jobs	22.8 billion
Working spouses' income	8.0 billion
Reservists in paid status, total	**$29.8 billion**
Employment income	20.2 billion
Working spouses' income	5.5 billion
Reserve training pay	4.1 billion
Total income of military community	**$140.8 billion**

SOURCE: DoD Personnel Budget for FY 1984

AVERAGE MILITARY COMPENSATION OVER THE LAST EIGHT YEARS

FY 1977	$14,398
FY 1978	15,367
FY 1979	16,594
FY 1980	18,420
FY 1981	20,546
FY 1982	23,538
FY 1983	24,656
FY 1984	25,902

SOURCE: DoD Personnel Budgets for the years shown

FY 1984 ACTIVE DUTY MILITARY ANNUAL COMPENSATION

Average military compensation	**$25,902***
Regular military compensation	$18,240
Basic pay	13,381
Basic allowance for quarters	1,708
Subsistence allowance & costs	1,770
Variable housing allowance	331
Federal income tax advantage	1,050
Special pays and consumption advantages	$7,662
Special allowances	$679
Special & incentive pays, bonuses	970
Commissary & exchange savings	798
Free/reduced cost medical/dental care	1,116
Retirement credit for current year's service	3,213
Social security payments (government contributions)	886

*Annual rate, including value of fringe benefits and consumption advantages.

SOURCE: DoD Personnel Budget for FY 1984

The average annual compensation for active duty military rose 5.1 percent to $25,902. At the same time, all-sources income for the resale systems' pool of potential customers rose 5.5 percent to $140.8 billion.

1984 Exchanges

CATEGORY	WORLDWIDE		DOMESTIC		OVERSEAS	
	DOLLAR SALES	PERCENTAGE	DOLLAR SALES	PERCENTAGE	DOLLAR SALES	PERCENTAGE
CONSUMER ELECTRONICS	$632.2	12.2	$210.8	6.2	$421.4	23.4
TOBACCO PRODUCTS (INCL. VENDING)	391.0	7.5	313.0	9.2	78.0	4.3
FOOD, JUICES, CONFECTIONS	378.8	7.3	261.2	7.7	117.6	6.5
MILITARY UNIFORMS (INCL. DPSC)	302.7	5.8	238.6	7.0	64.1	3.6
HEALTH & BEAUTY AIDS	281.5	5.4	199.4	5.9	82.1	4.6
STATIONERY & GREETING CARDS	241.7	4.7	179.2	5.3	62.5	3.5
BEER & SODA	240.8	4.6	138.0	4.1	102.8	5.7
MEN'S FURNISHINGS	214.1	4.1	155.6	4.6	58.5	3.3
FOOTWEAR	174.8	3.4	129.7	3.8	45.2	2.5
TRAFFIC & MAJOR APPLIANCES	169.1	3.3	106.7	3.1	62.3	3.5
WOMEN'S OUTERWEAR	160.8	3.1	110.6	3.3	50.2	2.8
PHOTOGRAPHY & OPTICAL	151.1	2.9	86.0	2.5	65.1	3.6
JEWELRY (INCL. FINE JEWELRY)	123.4	2.4	83.1	2.5	40.3	2.2
MEN'S OUTERWEAR	122.2	2.4	82.2	2.4	40.0	2.2
WOMEN'S FURNISHINGS	117.3	2.3	92.1	2.7	25.2	1.4
AUTOMOBILE ACCESSORIES	115.8	2.2	76.5	2.2	39.3	2.2
TOYS, GAMES & BICYCLES	106.1	2.0	65.8	1.9	40.3	2.2
RECORDED SOUND & VIDEO	105.8	2.0	47.5	1.4	58.2	3.2
GARDEN/PATIO FURNITURE/ACCESSORIES	105.1	2.0	92.1	2.7	13.0	0.7
HARDWARE	104.3	2.0	84.9	2.5	19.7	1.1
COSMETICS & FRAGRANCES	101.0	1.9	76.3	2.3	24.7	1.4
LINENS & DOMESTICS	99.6	1.9	68.5	2.0	31.2	1.7
SPORTING GOODS	87.1	1.7	61.4	1.8	25.8	1.4
GIFTWARE (AAFES ONLY)	76.5	1.5	43.4	1.4	30.1	1.7
FURNITURE & RUGS	76.3	1.5	28.9	0.9	47.4	2.6
INFANTS' & TODDLERS' WEAR	70.4	1.4	48.9	1.4	21.5	1.2
CLEANING SUPPLIES	67.2	1.3	46.6	1.4	20.6	1.1
KITCHENWARE	64.8	1.3	47.1	1.4	17.7	1.0
BOYS' WEAR	59.0	1.1	41.2	1.2	17.8	1.0
WATCHES	55.4	1.1	38.3	1.1	17.1	1.0
GIRLS' WEAR	48.5	0.9	31.8	0.9	16.6	0.9
LUGGAGE	44.9	0.9	32.3	1.0	12.5	0.7
YARDAGE & SEWING GOODS	41.3	0.8	24.6	0.7	16.7	0.9
FILM & PHOTOFINISHING	34.7	0.7	28.7	0.8	6.1	0.3
DINNERWARE & FLATWARE	34.0	0.7	23.6	0.7	10.3	0.6
*TOTAL RETAIL DEPARTMENTS	$5,200.5	100.0	$3,400.5	100.0	$1,802.1	100.0

A category-by-category breakdown of sales in exchanges during CY 1983. Sales are shown in millions and percentage share of total sales.

*Does not include sales from services.

Domestic sales include Alaska and Hawaii.

NOTE: Because of rounding, items may not add up to totals.

SOURCE: Sales from department reports of AAFES, NAVRESSO and Veterans Administration Canteen Service.

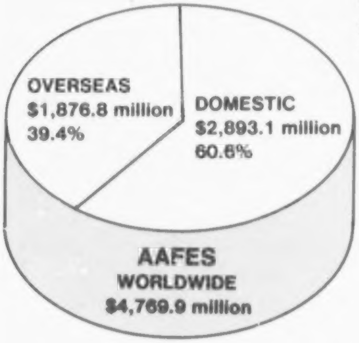
Marine Corps and Coast Guard department sales are estimated, based on NAVRESSO and AAFES percentage distributions.

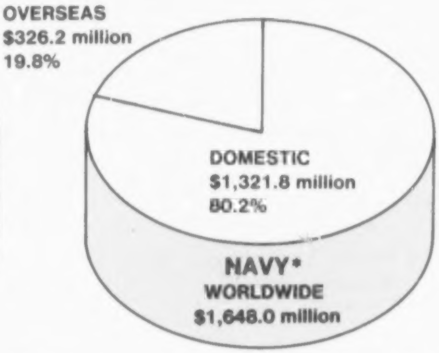
PERCENT OF EXCHANGE SALES BY SYSTEM WORLDWIDE CY 1983

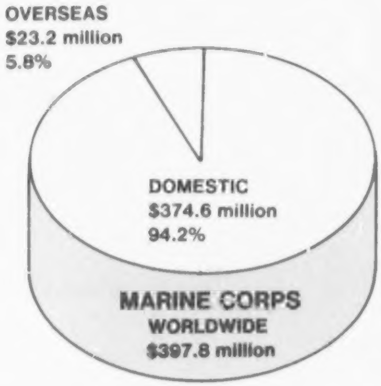
	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AAFES	$4,769.9 million	67.3
NAVY	1,648.0 million	23.3
MARINE CORPS	397.8 million	5.6
COAST GUARD	88.1 million	1.3
VCS	179.5 million	2.5
TOTAL	**$7,083.3 million**	**100**

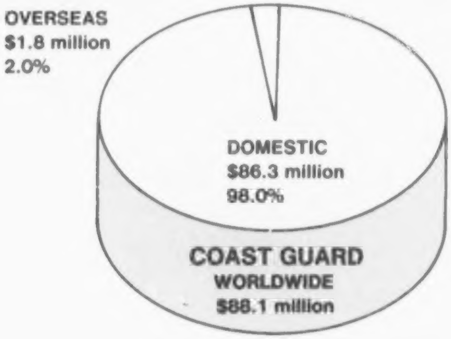
SOURCE: Resale systems' headquarters

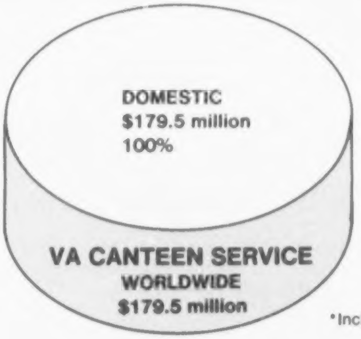
Total exchange sales were more than $7 billion in CY 1983. Domestic exchange sales accounted for 68.5 percent of total sales; overseas sales were 31.5 percent of total sales.









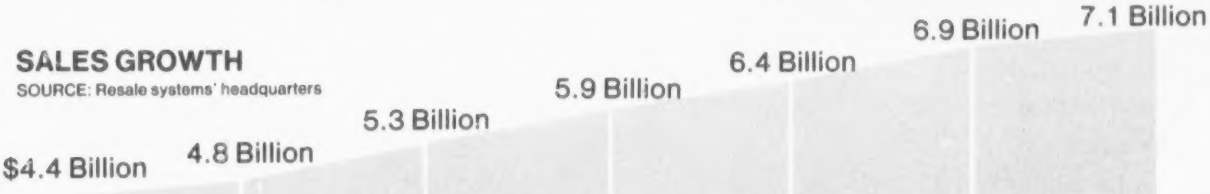


Domestic sales include Alaska and Hawaii

*Includes sales of ships stores.

SALES GROWTH

SOURCE: Resale systems' headquarters



Commissaries

A category-by-category breakdown of sales in commissaries during CY 1983. Sales (includes 5 percent surcharge) are shown in millions and percentage share of total sales.

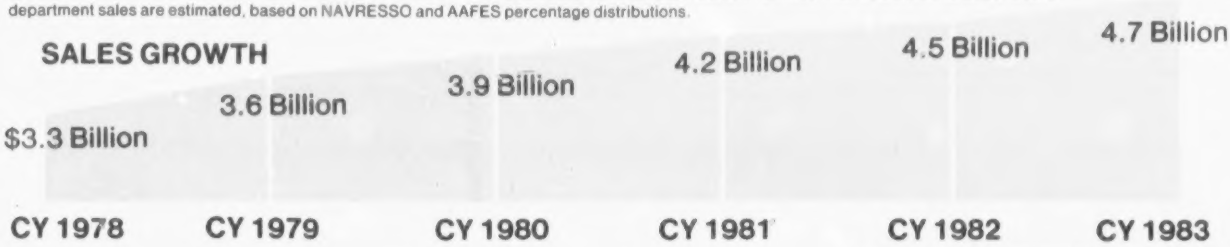
CATEGORY	WORLDWIDE DOLLAR SALES PERCENTAGE		DOMESTIC DOLLAR SALES PERCENTAGE		OVERSEAS DOLLAR SALES PERCENTAGE	
FRESH & CURED MEAT, POULTRY & SEAFOOD	$1,162.2	24.7	$958.3	24.7	$203.9	24.7
DAIRY PRODUCTS	418.7	8.9	350.4	9.0	68.3	8.3
HOUSEHOLD SUPPLIES	419.2	8.9	337.9	8.7	81.3	9.8
CANNED FOODS	404.6	8.6	325.5	8.4	79.1	9.5
FROZEN FOODS	356.7	7.6	305.3	7.9	51.4	6.2
*TOBACCO PRODUCTS	285.1	6.1	242.9	6.3	42.2	5.1
BAKED GOODS	275.3	5.8	231.2	6.0	44.1	5.3
PRODUCE	216.4	4.6	178.5	4.6	37.9	4.6
PREPARED BEVERAGES	159.5	3.4	127.6	3.3	31.9	3.9
HEALTH & BEAUTY AIDS	139.3	2.9	114.9	2.9	24.4	3.0
BAKING NEEDS	137.4	2.9	112.9	2.9	24.5	3.0
PET FOODS	130.4	2.8	103.6	2.7	26.8	3.3
CEREALS	96.9	2.1	75.6	1.9	21.3	2.6
BABY FOODS	70.6	1.5	58.3	1.5	12.3	1.5
DRIED FRUITS, VEGETABLES & NUTS	56.5	1.2	46.6	1.2	9.9	1.2
SAUCES	48.5	1.0	40.0	1.0	8.5	1.0
**SOFT DRINKS (NOT STOCKED BY NAVY)	46.6	1.0	39.2	1.0	7.4	0.9
SPREADS	44.2	0.9	36.5	0.9	7.7	1.0
CANDY & CHEWING GUM	42.8	0.9	36.1	0.9	6.7	0.8
DRESSINGS	41.9	0.9	33.4	0.9	8.5	1.0
PASTA PRODUCTS	30.1	0.6	24.8	0.6	5.3	0.6
DESSERTS & TOPPINGS	29.6	0.6	24.0	0.6	5.6	0.6
PICKLES, OLIVES & VINEGAR	27.8	0.6	22.9	0.6	4.9	0.6
SPICES & EXTRACTS	26.4	0.6	21.7	0.6	4.7	0.6
DIETETIC & LOW CALORIE	23.5	0.5	19.4	0.5	4.1	0.5
SYRUP	13.6	0.3	11.0	0.3	2.6	0.3
MISCELLANEOUS	1.5	0.1	1.1	0.1	0.4	0.1
TOTAL DEPARTMENTS	$4,705.3	100.0	$3,879.6	100.0	$825.7	100.0

Domestic sales include Alaska and Hawaii.
NOTE: Because of rounding, items may not add up to totals.

*Tobacco products as a percentage of total sales are computed including sales of Navy and Marine Corps commissaries, although Marine Corps commissaries do not stock tobacco products. However, tobacco products were sold in four Navy commissaries during 1983, three on a test basis and one permanently; these sales are not included in the totals above. When computed as a percentage of sales of just Army and Air Force stores, tobacco products are 7.6 percent of worldwide sales, 7.9 percent of domestic sales and 6.1 percent of overseas sales.

**Soft drinks are stocked in only four Navy commissaries; sales are not included in the totals above.

SOURCE: Sales from department reports of AAFES, NAVRESSO and Veterans Administration Canteen Service. Marine Corps and Coast Guard department sales are estimated, based on NAVRESSO and AAFES percentage distributions.

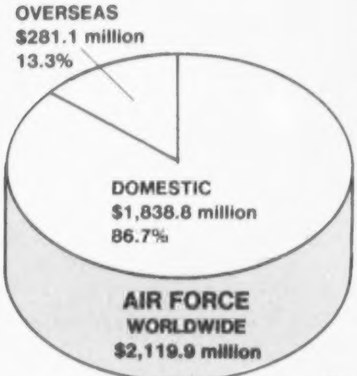


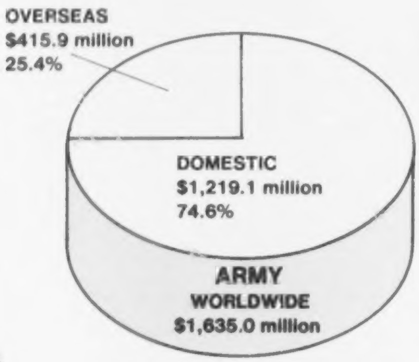
SOURCE: Resale systems' headquarters

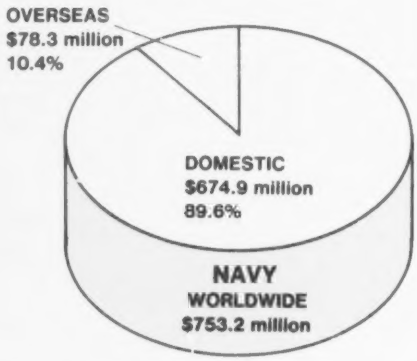
PERCENT OF COMMISSARY SALES BY SYSTEM WORLDWIDE CY 1983

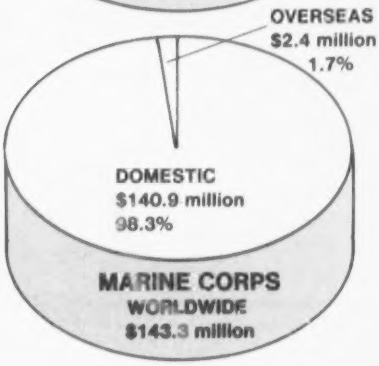
	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AIR FORCE	$2,119.9 million	45.1
ARMY	1,635.0 million	34.8
NAVY	753.2 million	16.0
MARINE CORPS	143.3 million	3.0
COAST GUARD	5.9 million	0.1
STATE DEPARTMENT	48.0 million	1.0
TOTAL	**$4,705.3 million**	**100**

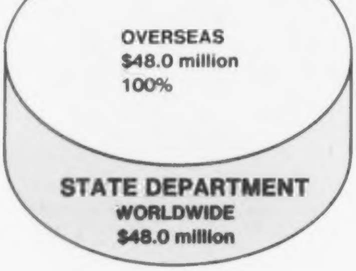
SOURCE: Resale systems' headquarters

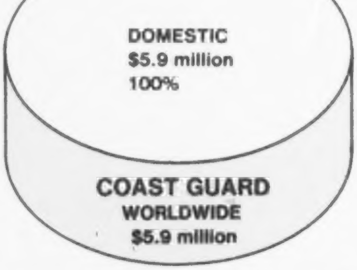












Domestic sales include Alaska and Hawaii

By year end 1983 total commissary sales had surpassed $4.5 billion. Overall, 82.4 percent of commissary sales originated in domestic outlets. Only 17.6 percent of the sales were rung up in overseas commissaries.

1984 The Market's Retail Sales

LARGEST SUPERMARKET CHAINS

	1983	1982
1 — Safeway	$18.6	$17.6
2 — Kroger	15.2	11.9
3 — Lucky	8.4	8.0
4 — American Stores	8.0	7.5
5 — Winn-Dixie	7.0	6.8
6 — Jewel	5.7	5.6
7 — A & P	5.2	4.6
8 — Worldwide Commissaries	**4.7**	**4.5**
9 — Albertson	4.3	3.9
10 — Domestic Commissaries	**3.9**	**3.7**

$ in billions

SOURCE: Civilian supermarket sales as reported in the May 1984 issue of *Progressive Grocer*. Military commissary sales are as reported by the headquarters offices of the various commissary systems. Commissary sales include the 5 percent surcharge.

LARGEST DEPARTMENT/VARIETY STORE CHAINS

	1983	1982
1 — Sears	$20.4	$18.8
2 — K mart	18.6	16.8
3 — J.C. Penney	12.1	11.4
4 — Federated Department Stores	7.2	6.4
5 — Worldwide Military Exchanges	**7.1**	**6.9**
6 — Dayton-Hudson	7.0	5.7
7 — Montgomery Ward	6.0	5.6
8 — Woolworth	5.4	5.1
9 — Domestic Military Exchanges	**4.9**	**4.5**

$ in billions

SOURCE: Sales of civilian department store chains are as reported by "Annual 'Yardstick' Report: The Top 100 Chains," *Chain Store Age, General Merchandise Edition*, June 1984. Military Exchange sales are as reported by the headquarters offices of the various exchange systems.

COMBINED COMMISSARY AND EXCHANGE SALES

CY 1977	$7,454 million
CY 1978	$8,123 million
CY 1979	$8,890 million
CY 1980	$9,863 million
CY 1981	$10,640 million
CY 1982	$11,354 million
CY 1983	$11,788.6 million

COMMISSARIES	$4,705.3 million	40%
EXCHANGES*	$7,083.3 million	60%
TOTAL	**$11,788.6 million**	**100%**

*Includes sales by mail order, catalog, concessions, food service, personnel services, etc.

Combined CY 1983 sales for commissaries and exchanges were more than $11.5 billion. Worldwide commissaries remained in eighth place, while domestic commissaries moved up to the No. 10 spot, after Grand Union's fall from the top 10. Worldwide military exchanges dropped to fifth place, their sales being surpassed by Federated Department Stores. Domestic military exchanges held steady in ninth place.

Military Market index

Commissaries

		APRIL			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$165,683	$160,886	+2.98	$452,898	$429,588	+5.43
	OVERSEAS	32,217	31,829	+1.22	88,100	86,010	+2.43
	TOTAL	**197,900**	**192,715**	**+2.69**	**540,998**	**515,598**	**+4.93**
Army	CONUS	112,245	108,680	+3.28	312,060	307,112	+1.61
	OVERSEAS	39,165	35,672	+9.79	106,575	102,544	+ 3.93
	TOTAL	**151,410**	**144,352**	**+4.89**	**418,635**	**409,656**	**+2.19**
Navy	CONUS	72,776	49,454	+47.16	181,377	147,254	+23.17
	OVERSEAS	8,602	5,762	+49.29	21,123	17,007	+24.20
	TOTAL	**81,378**	**55,216**	**+47.38**	**202,500**	**164,261**	**+23.28**
Marines	CONUS	13,596	12,189	+11.54	38,872	33,828	+14.91
	OVERSEAS	210	197	+ 6.60	557	538	+3.53
	TOTAL	**13,806**	**12,386**	**+11.46**	**39,429**	**34,366**	**+14.73**
Coast Guard	CONUS	263	317	-17.03	724	862	-16.01
	OVERSEAS	240	161	+49.07	758	554	+36.82
	TOTAL	**503**	**478**	**+5.23**	**1,482**	**1,416**	**+4.66**
All Commissaries	CONUS	364,563	331,526	+9.97	985,931	918,644	+7.32
	OVERSEAS	80,434	73,621	+9.25	217,113	206,653	+ 5.06
	TOTAL	**$444,997**	**$405,147**	**+9.84**	**$1,203,044**	**$1,125,297**	**+6.91**
Grocery Stores	U.S.[1]	**$21.557 bil.**	**$19.865 bil.**	**+8.52**	**$61.071 bil.**	**$56.635 bil.**	**+7.83**

Exchanges

		APRIL			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$229,789	$221,807	+3.60	$626,844	$606,475	+3.36
	OVERSEAS	156,268	154,077	+1.42	439,007	434,141	+1.12
	TOTAL	**386,057**	**375,884**	**+2.71**	**1,065,851**	**1,040,616**	**+2.43**
Navy	CONUS[2]	85,717	82,908	+3.39	227,610	223,866	+1.67
	OVERSEAS[2]	35,387	36,700	-3.58	97,999	98,579	-0.59
	TOTAL[2]	**121,104**	**119,608**	**+1.25**	**325,609**	**322,445**	**+0.98**
Marines	CONUS	28,447	29,441	-3.38	77,303	76,702	+0.78
	OVERSEAS	4,724	4,974	- 5.03	13,412	14,559	-7.88
	TOTAL	**33,171**	**34,415**	**-3.61**	**90,715**	**91,261**	**-0.60**
Coast Guard	CONUS[3]	6,176	5,989	+3.12	16,735	16,227	+3.13
	OVERSEAS[3]	765	817	-6.36	2,078	2,212	-6.06
	TOTAL[3]	**6,941**	**6,806**	**+1.98**	**18,813**	**18,439**	**+2.03**
Mail Order	CONUS[4]	1,324	1,056	+25.38	4,506	4,014	+12.26
	OVERSEAS[4]	4,022	3,426	+17.40	12,088	12,011	+0.64
	TOTAL[4]	**5,346**	**4,482**	**+19.28**	**16,594**	**16,025**	**+3.55**
All Exchanges	CONUS	351,453	341,201	+3.00	952,998	927,284	+2.77
	OVERSEAS	201,166	199,994	+0.59	564,584	561,502	+0.55
	TOTAL	**$552,619**	**$541,195**	**+2.11**	**$1,517,582**	**$1,488,786**	**+1.93**
Department Stores	U.S.[1]	**$9.219 bil.**	**$8.479 bil.**	**+8.73**	**$23.943 bil.**	**$21.319 bil.**	**+12.31**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

NOTE: The MM Index for February (appearing in the June 1984 issue) is in error. The wrong data were used for Army commissaries. March sales data were used in place of February's. The figures should have read:

Army	CONUS	97,650	90,168	+8.30	199,815	198,432	+0.70
	OVERSEAS	30,240	26,936	+12.27	67,410	66,872	+0.80
	WORLDWIDE	127,890	117,104	+9.21	267,225	265,304	+0.72
All Commissaries	CONUS	310,651	281,593	+10.32	621,368	587,117	+5.63
	OVERSEAS	65,527	59,981	+9.25	136,679	133,031	+2.74
	WORLDWIDE	376,178	341,574	+10.13	758,047	720,148	+5.26

Military Market

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Military Market serving the military retail system

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Military Market survey

Out-of-Stocks:
'Embarrassing to Me, the Exchange and the System.'

"**IN THIS BUSINESS,** word-of-mouth is very important . . . even the *perception* of an out-of-stock item is unbelievably damaging to the exchange's image and credibility," explains one NAVRESSO exchange manager. "When they do happen, it's crucial to minimize the damage that's already been done."

Fifteen exchange mangers (eight from AAFES, five from NAVRESSO and two from the Marine Corps) were contacted for this month's MILITARY MARKET telephone survey. As dirty a word as out-of-stock or NIS is to the ears of many exchange managers, several of them nevertheless were willing to talk at length about how they tackle this all-too-frequent problem and the strategies they use to keep it from occurring regularly.

It's clear from their responses that keeping the shelves well-stocked is both a personal and professional priority for exchange managers. Each of the 15 respondents told MILITARY MARKET that they check the shelves regularly, often more than twice a day. "It's not something I always do consciously," comments one AAFES store manager. "It's not like I say to myself, 'I'm going to look for out-of-stocks now.' It's an ongoing process . . . I make mental notes of shelf holes as I'm doing other things."

As is often the case, vendors and milreps were cited as the major cause of out-of-stocks, although many managers said there were several factors that contribute to every out-of-stock situation. "It's very easy to point fingers at the vendor, but all the players have to take some of the blame. It's a team effort to stock the shelves," remarked a NAVRESSO store manager.

All 15 managers said they use signs at the point-of-purchase when there is an NIS for a major brand, or at the very least, they have oral explanations ready for customers who inquire about the item. "You don't always want to draw attention to a hole on the shelf with a sign . . . There are instances, however, when it's a good idea. You really have to use a little judgment and common sense with signs," advises another NAVRESSO exchange manager.

Of special interest is the general feeling that exchange shelves are well-stocked, with 11 of the 15 managers saying they believe their stores fared better than civilian department stores. In addition, 10 of the managers felt their in-stock position had improved significantly over the past year. "Keeping the shelves full has been my personal priority this year," remarked one AAFES manager.

Several mangers noted that H&BA and clothing departments were particularly susceptible to out-of-stocks because high consumer demand and often inadequate supplies keep the shelves lean. "Keeping all the sizes in stock can be difficult," laments an AAFES manager.

A particularly difficult question for many store managers to answer concerned which product categories have the highest in-stock ratios. "That's a really tough one to say with any certainty. There are so many variables. It depends on the season, the buying whims of the public and, to a large extent, what's happening on the outside. After all, is it really fair to consider Cabbage Patch dolls as an out-of-stock?" one Marine Corps store manager asked.

Constant vigilance and paying close attention to day-to-day management details were the most often cited strategies for avoiding NISs by the managers. "So often, it's just a matter of the right people not talking to one another, misunderstandings and lack of communication," points out another manager.

All the managers surveyed felt that keeping open the lines of communication between the store, vendors and the stockers is the key to minimizing NISs. "When a shopper sees an out-of-stock, it is embarrassing to me, the exchange and the entire system," concluded one.

MM

1 — AS THE EXCHANGE MANAGER, HOW OFTEN DO YOU *PERSONALLY* INSPECT THE SHELVES FOR THEIR IN-STOCK CONDITION? Less than daily — 0. Daily — 5. Twice a day — 5. More than twice a day — 5.

2 — WHAT PERCENTAGE OF OUT-OF-STOCKS WOULD YOU ESTIMATE YOUR STORE AVERAGES? 0%-5% — 13. 5%-10% — 2. 10%-15% — 0. 15% or more — 0.

3 — WHAT DO YOU THINK IS THE MAJOR CAUSE OF OUT-OF-STOCKS IN YOUR STORE? Vendors — 7. Warehousing problems — 3. Purchasing — 2. Lack of communication — 2. Other — 1.

4 — WHEN AN OUT-OF-STOCK *DOES* EXIST, WHAT MEASURES DO YOU TAKE TO SEE THAT THE CUSTOMER IS AWARE OF THE PROBLEM (e.g., signing, oral explanations, etc.)? See story.

5 — DO YOU FEEL THAT THE OUT-OF-STOCK SITUATION FOR YOUR STORE IS WORSE, BETTER OR THE SAME AS FOR A COMPARABLE CIVILIAN DEPARTMENT STORE OR OTHER RETAIL OUTLET? Worse — 3. Better — 11. Same — 1.

6 — WHAT COULD YOUR HEADQUARTERS DO TO HELP YOUR STORE AVOID OUT-OF-STOCK CONDITIONS? See story.

7 — HOW DOES YOUR OUT-OF-STOCK CONDITION FOR THIS YEAR COMPARE WITH THE PREVIOUS YEAR'S? Better — 10. Worse — 2. About the same — 3.

8 — IN WHICH DEPARTMENT OF YOUR STORE DO YOU GENERALLY FIND THE GREATEST FREQUENCY OF OUT-OF-STOCKS? WHICH AREA GENERALLY HAS THE LEAST? See story.

9 — IN GENERAL, WHAT SUGGESTIONS DO YOU HAVE FOR MAKING SURE YOUR STORE IS BETTER STOCKED? See story.

Summer Consumer Electronics Show:

The Audio/Video Marriage Is at Hand

Wedding bells rang as the marriage between audio and video appeared closer with each new product. The mood of buyers was buoyed by the blistering sales pace of VCRs and cassette decks. The dawn of the digital age in audio is fueling a surge for consumers to upgrade their aging sound systems. Emerging technologies are predicted to change the future of home entertainment.

Photos by Jay Blucher

By **JAY BLUCHER**
Associate Editor

FOR ONE SWELTERING week in June, manufacturers, retailers, and buyers alike get a first-hand look at the latest gee-whiz offerings of the consumer electronics industry.

Chicago's Summer Consumer Electronics Show, billed as the largest trade show in the country, is a spectacle aptly described by one onlooker as "little more than a technological crapshoot." With a roadside well-littered with fallen companies whose futures were staked on one sure-fire technology or one can't-miss electronic gadget, industry insiders are quick to point out the risky nature of this business.

"What is today's state-of-the-art equipment, quickly becomes tomorrow's dinosaur," explained one rep from the floor of the SCES, held at the Windy City's McCormick Place from June 3-6.

For an entire industry to hinge on such precarious technology has its merits, however, for the same buyer of last year's state of-the-art stereo system, whether audiophile or stereo neophyte, is going to want to upgrade that equipment at some point in time. And with the recent advent of digital technology, audio customers are now witnessing one of the best reasons to upgrade and get the latest improvements.

"We're not talking just 18-to-25-year-olds, either. Today's market is more mature — people who've grown up with high quality audio systems and want to upgrade," said a spokesman for Kenwood Electronics Inc.

Apparently, systems upgrading is the major push behind the burgeoning retail sales figures for this $30 billion industry. "We're not only selling more of our products; there's something left over after all the bills are paid," said William E. Boss, vice president of the Consumer Electronics Division of RCA, in his keynote address.

"In video, in computers and even in our old mainstay, audio, . . . [manufacturers and retailers] are seeing better and better numbers below the bottom line — black ink instead of red," he said.

Boss noted that a year ago consumer electronics products were in oversupply, resulting in inventory-clearing price cutting. But a strong Christmas selling season produced a temporary shortage of goods on retail shelves. With consumer spending continuing briskly this year, Boss said, "By this fall, we may well be in a shortage position once again."

Europe Leads Military Sales

Within the military, sales figures point out that the majority of servicemembers are making their electronics purchases through the resale systems overseas. NAVRESSO reports worldwide consumer electronics sales in 1983 of more than $98.4 million, with ConUS sales accounting for $35.6 million — a slim 36 percent of sales. Overseas sales for NAVRESSO were a whopping $62.9 million. At AAFES, the sales picture is similar, with its 1983 overseas sales of $328.7 million easily eclipsing ConUS sales of $111.6 million. Stateside sales represent only 34 percent of AAFES' electronics market. The resale giant's total worldwide sales for consumer electronics were more than $471.4 million.

ConUS exchanges are forbidden by law to carry a wide range of hi-fi items, including most separate components. In addition, the stores cannot stock merchandise selling for more than a specified price point.

But such restrictions do not exist overseas, where local BXs, PXs, MCEXs or NEXs carry an incredibly diverse selection of audio, video and computer gear. Consequently, Europe — where most GIs are stationed at one time or another — has become the primary shopping area for servicemembers interested in assembling their "dream systems."

At some of AAFES' larger European exchanges, for instance, Super Sound Centers, which feature elaborate demonstration and listening facilities and have manufacturers' technical representatives on hand to answer questions, offer the military consumer a unique shopping opportunity. Indeed, many servicemembers believe the resale systems' audio departments are unmatched by even the most specialized civilian retailers. Although the smaller AAFES stores have more limited selections, they have access to the entire system's regular stock assortment items by forwarding a customer convenience report request to a larger store or to AAFES-Europe's distribution center in Giessen, Germany.

For those afficionados still unsatisfied by the exchange's selections, there is also an extensive system of military audio clubs to turn to. These clubs are basically hobby shops, and are authorized as nonappropriated-fund resale activities independent from the exchange systems.

One distinct advantage these clubs have over the exchanges is that they are supplied by nearby European distributors, whereas AAFES-Europe buys most of its electronics merchandise from Japan. Often, the European suppliers can react faster to new trends, trying out new items as fast as they become available from local suppliers in Europe.

Similar audio clubs exist for naval servicemembers as well. Typically, these clubs specialize in carrying more upscale, high-ticket stereo items that the exchanges may not carry. Often, the clubs' operating hours are tailored to servicemembers' off-duty hours or when the NEX is closed. Usually staffed by military dependents and off-duty military personnel, these audio hobby shops pride themselves on offering the latest sophisticated equipment and technical expertise for the military consumer.

Another potential pipeline for overseas servicemembers in search of the ultimate in electronics equipment is the *Exchange Mail Order Catalog*, published by AAFES each August. Last year's catalog sales for consumer electronics were more than $31 million, according to AAFES sales figures. Merchandise ordered through the catalog may be sent to any overseas APO or FPO address or to any address in the United States, although the U.S. recipient will usually have to pay customs duty on any foreign-made item.

With its four distinct sections — America (parts I and II), Europe/Middle East and Far East — servicemembers using the catalog have a decided advantage in being afforded a truly international audio selection to choose from.

JUST MARRIED

Foreign-made items in the American section of the catalog are sitting in stateside warehouses, so shipping costs and customs duties have already been paid on them and are reflected in the price. This is why Japanese-manufactured cassette decks, for example, are more expensive in the American section than in the Far East section of the catalog. Discerning audio shoppers know they can save money by avoiding *foreign-made* items from the American section — unless perhaps they are having something mailed directly to someone in the States and don't want them to have to pay the customs duty.

Marriage of Audio and Video

One trend that has raised the spirits of everyone in the consumer electronics industry and that has retailers beaming is the long-awaited "marriage" between audio and video. No longer content to loom on the horizon, their union appears more complete with each new-product entry.

The lines that used to separate audio and video are becoming less clear all the time. Indeed, many manufacturers now speak lovingly of this "marriage." And why not? Retailers, military and civilian alike, see enormous potential in the new home entertainment world that's about to be born of this union.

Marketers point to the growing appeal of music videos. This is due largely to the popularity of MTV, as raising the *audio* consciousness of video viewers. Likewise, hit movies are being purchased by VCR owners, who now number more than 10 million, according to Electronics Industry Association statistics.

There also seems to be a new "complete system" mind-set on the part of many of the major audio manufacturers. Spurred largely by the success of one-brand audio systems, many companies are stressing a complete package incorporating both audio and video capabilities. Many consumers are ready to replace aging audio equipment and are amenable to replacing an entire system in order to be "on top of the technological hill," as one manufacturer put it.

Stereo TV: Big Potential

With American airwaves now open for stereo TV broadcasts as the result of a March 29 decision handed down by the Federal Communications Commission, the path has been cleared for stereo television.

More hi-fi VCRs are entering the pipeline at lower prices, and musical fare on prerecorded video is growing in both quantity and popularity. Consequently, the new audio electronics components that debuted at the SCES are becoming multimedia command centers with the addition of inputs and controls for video sources.

The television, usually the heart of any home entertainment system, has expanded its role as a passive entertainment device to become an important component used in conjunction with videocassette recorders, video games and personal computers.

"It's becoming rather common for consumers to hook up their TVs to their hi-fi systems to get full stereo sound from FM-TV broadcasts," explained a Pioneer spokesman.

Even the term "television" is rapidly being replaced in the jargon with "monitor" or "multimedia center." One manufacturer points out, however, that, "I don't think the general public is really ready for a 'pure' monitor, and the evidence [for this] is in the fact that consumers are still calling them TVs."

Semantics aside, marketers are looking with longing eyes at consumer research that predicts a 50 percent turnover of TV sets now installed in the U.S during the next three years as a result of the new emerging technologies in this area.

International Summer Consumer Electronics Show
onic

THE ARCHWAY to the floor of the SCES is the scene of frantic activity for many buyers, retailers and manufacturer's reps.

RCA Consumer Electronics, for instance, predicts a 14 percent increase in the sales of color-TV receivers (to more than 15.8 million units this year), and expects the category to surpass $5.4 billion in 1984.

Manufacturers point out trends toward larger monitor (TV) screens and a growing consumer preference for all-in-one over separates (tuner, monitor, amplifiers and three-way speakers). Most manufacturers say that 19-inch models will continue to hold their own in the marketplace, but more and more customers are making it clear they're willing to spend the extra dollars for a 25-inch tube. Introductions at the SCES reflect this trend.

For example, Pioneer's Foresight 700, a component color television system features a 25-inch monitor, a 127-channel tuner, a 50-watt stereo amplifier and three-way speakers.

"The bigger 25-inch screen size is definitely where the action is and where it will be in the future," says Pioneer video spokesman Ron Petty. "In fact, that's the reason we discontinued the 19-inch model in our Foresight line."

"Television componentry is just like audio componentry, with people now wanting to build up on their television sets," adds Jack Wayman, vice president of the Electronics Industries Association. "The 1985 numbers will even be higher, considering the impact of stereo broadcasting and increasing cable penetration — plus the continued demand for home computers," he said.

RCA Consumer Electronics introduced 18 sets at the SCES with built-in stereo to capitalize on stereo TV broadcasts planned by broadcasters. NBC-TV, an RCA unit, seems to be leading the fray into stereo among the three TV networks. NBC has announced that "The Tonight Show" and "Friday Night Videos" will go stereo in June 1985. Initially in the New York, Washington, D.C., and Los Angeles markets, NBC says that come fall 1985, it expects to add theatrical movies, sports and special events to its menu of stereo offerings.

Spokesmen for the major TV networks tell MILITARY MARKET that stereo programming will be slow in coming, despite the FCC March 29 go-ahead. The exception seems to be PBS, which says it might be getting into this sooner than the Big Three.

While the major broadcasters ponder the desirability of multichannel TV sound, a significant portion of the U.S. population seems to think television will benefit from stereo. A nationally representative survey conducted last August by Dolby Labs found that 63 percent of the respondents believe stereo sound will enhance their TV viewing. The random sampling found 94 percent own a color TV and 91 percent some form of stereo music system.

Tape decks: No. 1 in Audio

Cassette decks remain the single hottest-selling audio product, although VCRs are the biggest category overall. The continuing importance of cassette decks was underscored by the large number of new products unveiled at the SCES. Among manufacturers rolling into Chicago with new models were Technics, JVC, Onkyo, Kenwood, Akai, TEAC, Aiwa, Pioneer and Fisher, to name a few.

Each manufacturer is trying to cram every conceivable electronic feature and gizmo into its offerings while still trying to keep prices stable. The result is that the military consumer should be able to find some outstanding values in the cassette deck arena this year.

An increasing number of units are now including at least two noise-reduction systems, and some decks sport three noise-reduction systems — Dolby B and C, as well as dbx.

Auto-reverse was probably the single feature with the most momentum at this year's SCES, with this once top-of-the-line technology now being increasingly seen on many new models all the way down to economy price points.

'Then There Were Three'

First there was Beta. Then came VHS. And if VCR shoppers were not confused enough, a third video format has entered the market with the recent introduction of Kodak's lightweight 8mm video cameras. Canon, Sanyo and Fisher also exhibited prototypes of proposed 8mm cameras.

These camcorders, as they are called, are a combination VCR camera and recorder. Their unique selling point is the portability they offer the home movie buff who is familiar with the standard 8mm home movie camera.

Most VCR suppliers say they expect the increasing demand will keep VCR prices stable throughout the year. Other factors cited include the possibility of undersupply (which would force American companies to turn to Korean and Japanese manufacturers, keeping prices low) and demand for models with sophisticated features and hi-fi audio. Executives from Hitachi, JVC, Panasonic, Quasar and Zenith concur that price erosion of the last two years appears to have settled, with promotional VCR machines settling around the $400 price point in civilian stores.

The latest trend in VCRs — to hi-fi sound — may further this rapidly developing marriage between audio and video. "The hi-fi VCRs are far superior to the best of the audiocassette decks" for recording music, says Liam S. Drady, marketing vice president for home electronics at Jensen International, probably the largest U.S. company still in the audio components business.

CDs Vie for Recognition

The compact disc is yet another example of the blurring between audio and video. The CD is basically an abbreviated version of the laser videodisc; its 4¾-inch-diameter disc packs digitally encoded stereo sound that is "read" with the same type of laser pickup as used in videodisc technology. Like the plunge in VCR prices, sales of CD players have been stimulated by a 50 percent drop in prices since the player's introduction in the last summer. Costing $499 at civilian outlets today, by year end some models will be available for less than $300.

Videocassette recorders are expected to continue their blistering sales pace in 1984:

	Unit Sales*	Factory Sales†	Average Value‡
1980	805	$621	$771
1981	1,361	$1,127	$828
1982	2,035	$1,303	$640
1983	4,091	$2,162	$528
1984 (proj.)	7,000	$3,440	$491
1985 (est.)	8,000	$3,760	$470

* To dealers, in thousands of units
† In millions of dollars
‡ Per unit, in dollars

SOURCE: Electronics Industries Association

Sony Corporation of America unveiled two compact audio disk players for cars at the SCES, and company officials claim the player will withstand the heat, humidity and vibrations of car travel. Officials would not disclose prices, but it is expected that the car CD players will range from $500 to $1,000. They also acknowledge that the technology in the new players may point the way to portable compact audio disc players.

Sansui unveiled its PC-V300, a front-loading CD featuring a three-beam laser pickup system, a 16-bit linear digital-to-analog converter and a choice of direct-access or automatic play. JVC, meanwhile, has introduced a front-loading player, the Model XL-V2, that the company says uses the same 16-bit format used in studio recording and boosts the dynamic range to 96dB. (This is a full 36dB wider than the average LP could deliver on a conventional turntable.)

FISHER
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THE AISLES WERE jammed at the Windy City's SCES, as more than 92,000 attendees check out the latest offerings of the consumer electronics industry.

One large problem that all CD manufacturers must overcome is the persistently low consumer awareness about the CD. A recent survey by Industrial Marketing Research showed a scant 1 percent of consumers interviewed had indicated their intent to buy a CD player before year's end.

Another "problem" with CDs is that the fidelity of CDs is so good the players often pick up deficiencies in other parts of a hi-fi system. Thus audiophiles are expected to buy better speakers and amplifiers.

At a breakfast meeting with reporters on the opening day of the SCES, Neil Vander Dussen, president of Sony's consumer products division, said that Sony's parent firm in Japan planned to review the prospects for marketing a totally portable CD player in the States. "The prospect of a poortable unit is not that far away," he said. When asked by reporters to be more specific, he replied, "Probably before 1985."

Such an innovative product is nothing new for Sony, which turned the consumer elctronics industry upside down when it introduced the Sony Walkman, a product which has not only been phenomenally successful, but also spawned several knock-offs and imitations by other firms. Analysts credit the Walkman with helping to create the current headset audio craze.

The Sony executive also said his firm had 8mm video products on the drawing board that it could introduce, but instead would "sit on the sidelines for now." Vander Dussen said that the appeal of current 8mm systems might be seriously limited by the lack of prerecorded tapes that are available. (Because the maximum recording time of an 8mm cassette is now 90 minutes, motion pictures are unlikely to ever be offered in the 8 mm format, barring some new technological advance.)

The goal is to link, a 25-inch color TV to a VCR, a videodisc player, and AM/FM stereo tuner, and either a CD or a conventional turntable — all operated by a single remote control.

MM

Military Market index

Commissaries

		APRIL			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$139,881	$150,939	-7.33	$592,780	$580,527	+2.11
	OVERSEAS	27,976	30,571	-8.49	116,077	116,581	-0.43
	TOTAL	**167,857**	**181,510**	**-7.52**	**708,857**	**697,108**	**+1.69**
Army	CONUS	107,100	103,740	+3.24	419,160	410,652	+2.02
	OVERSEAS	29,085	32,550	-10.65	135,660	135,094	+0.42
	TOTAL	**136,185**	**136,290**	**-0.08**	**554,820**	**545,946**	**+1.63**
Navy	CONUS	55,601	64,832	-14.24	236,978	212,086	+11.74
	OVERSEAS	6,406	7,348	-12.82	27,529	24,355	+13.03
	TOTAL	**62,007**	**72,180**	**-14.09**	**264,507**	**236,441**	**+11.87**
Marines	CONUS	12,169	11,080	+9.83	51,041	44,908	+13.66
	OVERSEAS	196	205	-4.39	752	743	+1.21
	TOTAL	**12,365**	**11,285**	**+9.57**	**51,793**	**45,651**	**+13.45**
Coast Guard	CONUS	217	230	-5.65	941	1,092	-13.83
	OVERSEAS	336	166	+102.41	1,095	719	+52.29
	TOTAL	**553**	**396**	**+39.65**	**2,036**	**1,811**	**+12.42**
All Commissaries	CONUS	314,968	330,821	-4.79	1,300,900	1,249,465	+4.12
	OVERSEAS	63,999	70,840	-9.66	281,113	277,492	+1.30
	TOTAL	**$378,967**	**$401,661**	**-5.65**	**$1,582,013**	**$1,526,957**	**+3.61**
Grocery Stores	U.S.[1]	**$20.420 bil.**	**$20.129 bil.**	**+1.45**	**$81.568 bil.**	**$76.764 bil.**	**+6.26**

Exchanges

		APRIL			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$235,807	$233,536	+0.97	$862,652	$840,011	+2.70
	OVERSEAS	165,240	163,536	+1.04	604,247	597,678	+1.10
	TOTAL	**401,047**	**397,072**	**+1.00**	**1,466,899**	**1,437,689**	**+2.03**
Navy	CONUS[2]	94,247	90,815	+3.78	321,857	314,681	+2.28
	OVERSEAS[2]	38,643	37,209	+3.85	136,642	135,788	+0.63
	TOTAL[2]	**132,890**	**128,024**	**+3.80**	**458,499**	**450,469**	**+1.78**
Marines	CONUS	27,782	28,917	-3.93	105,086	105,619	-0.50
	OVERSEAS	5,091	4,958	+2.68	18,502	19,517	-5.20
	TOTAL	**32,873**	**33,875**	**-2.96**	**123,588**	**125,136**	**-1.24**
Coast Guard	CONUS[3]	6,490	6,301	+3.00	23,225	22,528	+3.09
	OVERSEAS[3]	813	859	-5.36	2,892	3,072	-5.86
	TOTAL[3]	**7,303**	**7,160**	**+2.00**	**26,117**	**25,600**	**+2.02**
Mail Order	CONUS[4]	1,218	1,078	+12.99	5,724	5,092	+12.41
	OVERSEAS[4]	3,515	3,619	-2.87	15,604	15,630	-0.17
	TOTAL[4]	**4,733**	**4,697**	**+0.77**	**21,328**	**20,722**	**+2.92**
All Exchanges	CONUS	365,544	360,647	+1.36	1,318,544	1,287,931	+2.38
	OVERSEAS	213,302	210,181	+1.48	777,887	771,685	+0.80
	TOTAL	**$578,846**	**$570,828**	**+1.40**	**$2,096,431**	**$2,059,616**	**+1.79**
Department Stores	U.S.[1]	**$9.676 bil.**	**$8.652 bil.**	**+11.84**	**$33.608 bil.**	**$29.971 bil.**	**+12.14**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

NOTE: The figures in last month's index (July 1984 issue) were for March, rather than April.

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM / ARMY TIMES PUBLISHING

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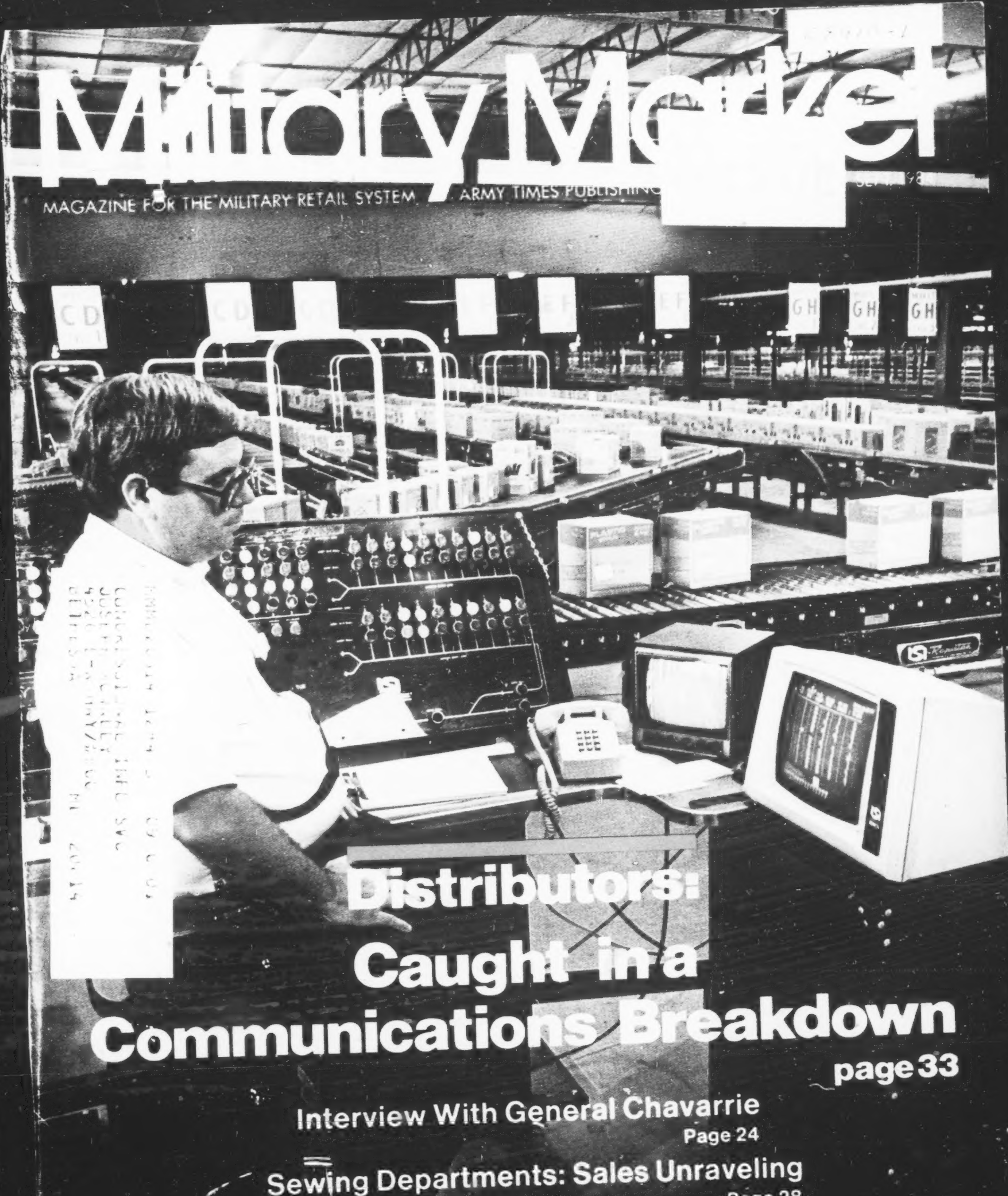

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Military Market survey

Commissary Distributors:
How Can They Do a Better Job?

TO ROUND OUT our look at distributors this month, MILITARY MARKET decided to get commissary managers' viewpoints on what distributors could do to improve service.

The most frequently voiced complaints were that merchandise was not delivered at a specific time, that it was damaged and that orders were incomplete. It would be unfair, however, not to point out that 13 of the 20 commissary officers (six TSA, six NAVRESSO, six AFCOMS and two Marine) surveyed said they had personally not encountered *any* problems with distributors serving their stores.

But for those with a wrinkle in their operations, there were also suggestions on how distributors could iron them out. Says one commissary officer: "Why can't they make sure the proper merchandise is on the truck *before* they leave the distributor's" warehouse? Two wanted better communications between themselves and their distributors. One suggested, "They could tell us when they will be short so we can plan for it and reorder as soon as possible. Then we can put signs on the shelves so customers will know when to expect the product."

When asked what they would like to change about the military distribution business, the managers say that frequency and timeliness of deliveries need upgrading. "I want more frequent deliveries, with fewer minimums, which are sometimes more than I really want or need," says one store officer. Another complains about the difficulty of rescheduling missed runs.

A Navy commissary store officer doesn't appreciate drivers knocking on his warehouse door unexpectedly. "Unscheduled deliveries are *unwelcome*," he grumbles.

Another Navy commissary store officer had a novel suggestion for distributors: "If we could trade jobs for one day," then they would see how hard *our* jobs are.

Most of the store officers contacted think it is vital to personally check on the distributors when the trucks arrive at the loading dock. Thirteen say they have daily contact with their distributors, one sees them once a week and one says he "seldom" talks personally with them. Only five say they never personally visit the distributors on the loading dock.

New technology has revolutionized the civilian grocery industry, and according to some of the store officers, it has done likewise for their operations. But the commissary systems evidently have a lot of catching up to do. Six of those surveyed say that nothing has changed in the past few years in the way they deal with distributors. But for those who've experienced change, better inventory controls was the most often cited improvement.

One officer quipped, "The commissary business here has been the same for 20 years. This is Alabama!"

The computerized direct-store delivery tests have certainly changed the commissary-distributor relationship. The two respondents who are participating in tests were strongly in favor of its benefits, particularly in the areas of improved inventory controls and faster order turnaround.

Those not part of tests were almost all in favor of it coming to their stores. Only respondents were against it — one says he doesn't know what it is and the other thinks his store is too small to make it cost-effective.

In terms of VPR inventories, distributors must be doing something right. Only three store officers say they aren't getting sufficient quantities to meet customer demand.

And judging by the response to our question about bad communications with distributors, the problem seems to be more common in the distributor-broker link than in the distributor-commissary one. Only three store officers complain that the distributors should call them more often.

Overall, there was much praise for the job the distributors are doing. "I think they do a great job for us," says one store officer.

MM

1 — HOW OFTEN ARE YOU INVOLVED WITH DISTRIBUTORS ON A ONE-ON-ONE BASIS? DO YOU PERSONALLY VISIT THE LOADING DOCK, WAREHOUSE, ETC.? Daily — 13 Once a week — 1 Seldom — 1 Never — 5

2 — WHAT PROBLEMS, IF ANY, HAVE YOU PERSONALLY ENCOUNTERED WITH DISTRIBUTORS IN THE SERVICING OF YOUR STORE? None — 13 Damaged merchandise — 2 Incomplete orders — 2 Getting merchandise at a specific time — 2 Late deliveries — 1 Wrong items delivered — 1 Merchandise not palletized — 1 *

3 — DO YOU HAVE ANY SPECIFIC SUGGESTIONS THAT MIGHT MAKE YOUR JOB (AND THEIRS) ANY EASIER? None — 11 Check for proper merchandise before leaving distributor s warehouse — 3 Better communications — 2 Fewer minimums — 1 Load all merchandise on pallets — 1 More attention to detail — 1 More frequent deliveries — 1

4 — WHAT IS YOUR BIGGEST PROBLEM IN DEALING WITH DISTRIBUTORS? None — 9 Consistency of deliveries — 5 Getting sufficient quantities — 2 Damaged merchandise — 1 Poor communications — 1 Getting the wrong items — 1 Bad weather makes it difficult for trucks to reach the store — 1

5 — ARE YOU GETTING ENOUGH VPR MERCHANDISE FROM DISTRIBUTORS TO HANDLE CUSTOMER DEMAND, OR ARE YOU GETTING SHORTED ON QUANTITIES OF GOOD DEALS? Yes — 17 No — 3

6 — IF YOU COULD CHANGE ONE ASPECT OF THE MILITARY DISTRIBUTOR BUSINESS, WHAT WOULD THAT BE? See story

7 — OVER THE LAST FEW YEARS, WHAT THINGS HAVE HAPPENED (computers, new warehousing techniques, other technology) TO CHANGE THE WAY YOU APPROACH THE DISTRIBUTORS' SIDE OF THE BUSINESS? Nothing has changed — 6 Better inventory controls — 4 Everything has changed — 3 Better warehousing techniques — 2 Faster order turnaround — 2 Direct store delivery — 1 Less paperwork — 1 More timely deliveries — 1

8 — ARE YOU (AND YOUR STORE) INVOLVED IN DAILY DIRECT-STORE DELIVERY TESTS? Yes — 2. No — 18. **IF NOT, WOULD YOU LIKE TO SEE THIS COME TO YOUR STORE IN THE FUTURE? WHY OR WHY NOT?** Yes — 16 No — 2

9 — DOES YOUR STORE RECEIVE ANY IN-STORE SERVICING (RACK-JOBBING) FROM DISTRIBUTORS? Yes — 0 No — 20

10 — DO YOU HAVE ANY SUGGESTIONS FOR OVERCOMING THE COMMUNICATIONS BARRIERS THAT OFTEN CROP UP BETWEEN YOURSELF, BROKERS AND THE INDIVIDUAL DISTRIBUTORS? No — 17 They should call us more often — 3.

*Adds to more than 20 because of multiple responses.

Military Market index

Commissaries

		MAY			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$158,113	$138,828	+13.89	$750,892	$719,355	+4.38
	OVERSEAS	31,960	28,429	+12.42	148,037	145,011	+2.09
	TOTAL	**190,073**	**167,257**	**+13.64**	**898,929**	**864,366**	**+4.00**
Army	CONUS	106,050	104,895	+1.10	525,210	515,747	+1.83
	OVERSEAS	36,330	29,610	+22.70	171,990	164,704	+4.42
	TOTAL	**142,380**	**134,505**	**+5.85**	**697,200**	**689,451**	**+2.46**
Navy	CONUS	57,177	52,417	+9.08	294,154	264,503	+11.21
	OVERSEAS	6,763	6,087	+11.11	34,292	30,442	+12.65
	TOTAL	**63,940**	**58,504**	**+9.29**	**328,446**	**294,945**	**+11.36**
Marines	CONUS	13,962	11,087	+25.93	65,003	55,996	+16.09
	OVERSEAS	237	200	+18.50	989	943	+4.88
	TOTAL	**14,199**	**11,287**	**+25.80**	**65,992**	**56,939**	**+15.90**
Coast Guard	CONUS	239	217	10.14	1,179	1,308	-9.86
	OVERSEAS	261	176	+48.30	1,356	895	+51.51
	TOTAL	**500**	**393**	**+27.23**	**2,535**	**2,203**	**+15.07**
All Commissaries	CONUS	335,541	307,444	+9.14	1,636,438	1,556,909	+5.11
	OVERSEAS	75,551	64,502	+17.13	356,664	341,995	+4.29
	TOTAL	**$411,092**	**$371,946**	**+10.52**	**$1,993,102**	**$1,898,904**	**+4.96**
Grocery Stores	U.S.[1]	**$21.855 bil.**	**$20.206 bil.**	**+8.16**	**$103.51 bil**	**$96.97 bil.**	**+6.75**

Exchanges

		MAY			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$248,114	$246,882	+0.50	$1,110,766	$1,086,894	+2.20
	OVERSEAS	165,141	160,064	+3.17	769,387	757,742	+1.54
	TOTAL	**413,255**	**406,946**	**+1.55**	**1,880,153**	**1,844,636**	**+1.93**
Navy	CONUS[2]	95,834	93,188	+2.84	417,691	407,869	+2.41
	OVERSEAS[2]	37,871	39,092	-3.12	174,513	174,880	-0.21
	TOTAL[2]	**133,705**	**132,280**	**+1.08**	**592,204**	**582,749**	**+1.62**
Marines	CONUS	30,069	28,773	+4.50	135,155	134,392	+0.57
	OVERSEAS	5,029	4,792	+4.95	23,532	24,309	-3.20
	TOTAL	**35,098**	**33,565**	**+4.57**	**158,687**	**158,701**	**-0.01**
Coast Guard	CONUS[3]	6,573	6,382	+2.99	29,799	28,910	+3.08
	OVERSEAS[3]	824	870	-5.29	3,716	3,942	-5.73
	TOTAL[3]	**7,397**	**7,252**	**+2.00**	**33,515**	**32,852**	**+2.02**
Mail Order	CONUS[4]	1,136	1,136	+0.00	6,861	6,228	+10.16
	OVERSEAS[4]	4,355	3,925	+10.96	19,959	19,555	+2.07
	TOTAL[4]	**5,491**	**5,061**	**+8.50**	**26,820**	**25,783**	**+4.02**
All Exchanges	CONUS	381,726	376,361	+1.43	1,700,272	1,664,293	+2.16
	OVERSEAS	213,220	208,743	+2.14	991,107	980,428	+1.09
	TOTAL	**$594,946**	**$585,104**	**+1.68**	**$2,691,379**	**2,644,721**	**+1.76**
Department Stores	U.S.[1]	**$10.547 bil.**	**$9.246 bil.**	**+14.07**	**$44.15 bil.**	**$39.217 bil.**	**+12.58**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

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Military Market serving the military retail system

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Military Market survey

Commissary Coupons:

'Just as Good as Money'

THE COUPON CRAZE appears to be raging just as fiercely in the commissaries as it is in civilian counterpart grocery outlets, according to the results of this month's survey of 20 commisssary managers from the resale systems. Thirteen store managers felt coupon redemptions were on the rise, while only a slim three respondents felt that couponing had abated at all within the last year.

Virtually all the commissary managers contacted were enthusiatic and receptive to even more coupons being offered by manufacturers. "After all, they're just as good as money, and the name of the game is to save the patron all the money we possibly can."

One TSA commissary manager said that he checks out the grocery stores in the nearby community periodically to see what coupons the maufacturers are offering civilian stores. "If my broker is not passing along those same price breaks to my store, I'm on the phone and asking somebody why not."

One manager, however, felt that the coupon habit had gone far enough, saying, "There comes a time when you can run just about everything into the ground. You can do too much of a good thing."

Many reasons were cited by the various store managers for the rise in coupon redemption in their stores. Many fingered economic conditions as being the principal stimulus. "Coupons seem to follow the economy," says one NAVRESSO store manager. "When times are good, coupons trail off a bit, and the reverse seems to be true."

While frozen foods and household items such as paper products and soap led the parade of products with the most couponing action, managers pointed out to MILITARY MARKET that in terms of percentages off, cigarettes and coffee often afforded the patron particularly good shopping values with coupons. "Pet foods are another one. There's not a lot of couponing here, but when there is, it's usually at least a dollar or two off."

Managers said they did not think the use of coupons was any greater among patrons who also use food stamps for their food purchases. One store manager remarks, "It often seems as if the shopper who might benefit the most from using coupons is the very shopper who uses them the least."

Commissary managers were in virtual agreement about the savings potential offered by coupons, however, as 17 of them felt that the surcharge could easily be recouped by clipping coupons. "Beating the surcharge is exactly what they're trying to do," is the way one AFCOMS store manager explained it.

There doesn't seem to be much preference among store managers to begin offering double coupons.

One area in which store managers were thinking alike was the need for coupon standardization in the future. An overwhelming 19 of the 20 managers surveyed said there was a need for coupons to become more similiar in size, shape, appearance and uniformity of printing. "This would not only help the stores, but the customers as well," said another TSA store manager.

Coupon fraud does not seem to be a very significant problem. "The closest thing to any fraud has been trying to pass an expired coupon," comments another manager. Several of the managers stressed the point that any incident of coupon fraud was grounds for immediate dismissal of an employee.

Coupon trading boxes were found to be prevalent as well, with 16 of the 20 stores offering the popular boxes. Several wives' clubs and libraries also offer coupon boxes for patrons to stock up on their coupon collections.

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1 — IS THE USE OF COUPONS IN YOUR STORE UP, DOWN OR THE SAME AS LAST YEAR?
Up — 13. Down — 4. About the same — 3.
2 — TO WHAT DO YOU ATTRIBUTE THE CHANGE?
Economic conditions — 8. More customer interest — 5. Companies push coupons more than in the past — 5. Other — 2.
3 — WOULD YOU LIKE TO SEE EVEN MORE COUPONS ISSUED?
Yes — 16. No — 3. Neutral — 1.
4 — WHICH TYPES OF PRODUCTS ARE MOST OFTEN PURCHASED WITH COUPONS?
Breakfast cereals — 1. Coffee — 4. Frozen foods — 6. H&BA — 1. Pet food — 2. Prepared foods — 1. Household Items: Paper products, soap, etc. — 4.
Dairy — 0. Cigarettes — 1.
5 — IS THE USE OF COUPONS ANY GREATER AMONG PATRONS WHO ALSO USE FOODS STAMPS?
Yes — 5. No — 11. Don't Know — 4.
6 — DO YOU THINK A PATRON CAN BEAT THE SURCHARGE BY USING COUPONS?
Yes — 17. No — 3.
7 — WOULD YOU LIKE TO BE ABLE TO OFFER DOUBLE COUPONS?
Yes — 0. No — 20.
8 — WOULD YOU LIKE TO SEE COUPONS BECOME MORE STANDARDIZED IN THE FUTURE?
(i.e.: size, placement of cents-off, material, etc.)
Yes — 19. No — 1.
9 — HAVE YOU EVER ENCOUNTERED ANY INSTANCES OF COUPON FRAUD? IF SO, COULD YOU EXPLAIN, AND DO YOU FEEL THIS IS COMMON?
(See story above)
10 — DO YOU OFFER A COUPON BOX FOR TRADING AND EXCHANGE OF PATRONS' COUPONS?
Yes — 16. No — 4.

Tobacco:

Marketers Scurry as Brand Loyalty Diminishes

The tobacco market is rapidly changing, as time-honored marketing techniques relying exclusively on brand loyalty fall by the wayside. Market segmentation by price, value, age, sex and lifestyle are replacing the former rules of the game.

By JAY BLUCHER
Associate Editor

"SMOKE 'EM IF you got 'em," is a well-known expression in the military. Recruits, whether smokers or not, quickly learn that this offhand remark by the drill sergeant means a rest break is coming up. If heard in the midst of a rigorous 20 or 40-mile march, it denotes an especially welcome reprieve.

In the past, when nearly all recruits smoked, the "smoke" command was taken at face value, and literally meant to light up. But with today's awareness about the potential health hazards associated with smoking, there's a lot more resting than smoking going on, and that's become bad news for cigarette marketers. "Sometimes it seems as if we are fighting an uphill battle on all fronts," remarks the spokesman for one major cigarette manufacturer.

But there's no danger that military people are going to quit smoking. Just as longtime traditions like the smoking break continue to be part of military lore, cigarettes and other tobacco products still occupy a traditional niche within the military psyche:

"One of the long lasting impressions I think many civilians have about the military is a mental picture of a soldier emerging from the commissary with both arms loaded with bags of groceries and cartons of cigarettes sticking up at the top," laughs one Army commissary manager.

Such a picture is not far-fetched. Exchange and commissary sales figures for cigarettes and tobacco products point to the military consumer as the motherlode of sales opportunity for cigarette companies.

Worldwide military on-base sales for cigarettes topped the $725 million mark in calendar year 1983, and are projected to reach $933 million by 1988 if present purchasing trends continue. Exchanges accounted for some $370 million in cigarette sales; commissaries garnered $274 million, and the club systems chipped in for another $81 million in sales, according to statistics compiled by the *Army Times* research department.

In fact, in the entire *worldwide* military market (commissaries and exchanges combined), cigarettes represent the third largest sales category, surpassed only by meat and civilian clothing. The sale of cigarettes handily eclipses such high-volume categories as consumer electronics, health and beauty aids and household supplies.

Cigarettes occupy the No. 3 position in the *domestic* military market as well, with more than $587 million worth of smokes sold in ConUS outlets.

Cigarette consumption by members of the military is significantly greater than the U.S. average, too. The average per capita use in the U.S. currently stands at 3,494 cigarettes (about 17 cartons) per year, according to figures from the Census Bureau. But military per capita use is an astounding 8,591 cigarettes (42 cartons) per year at the worldwide level, 8,200 cigarettes (41 cartons) on the domestic front, and an incredible 10,229 cigarettes (51.5 cartons) per year in the overseas market.

ON-BASE CIGARETTE SALES GROWTH

YEAR	COMBINED TOTAL	EXCHANGE	COMMISSARY	CLUB
1983	$725.5	$369.9	$274.5	$81.1
1982	708.5	364.8	269.5	74.2
1981	668.0	347.8	251.0	69.1
1980	619.5	332.4	223.3	63.8
1979	574.0	308.2	207.2	58.6
1978	560.5	314.3	190.3	55.9
1977	518.1	294.6	171.4	52.1
1976	499.1	281.6	168.0	49.5
1975	489.4	273.6	167.0	48.8
1974	447.0	251.0	150.0	46.0
1973	431.7	249.0	139.7	43.0

$ in millions for worldwide military
SOURCE: Army Times Research Department

Sales within the military have continued to show steady growth over the last decade, a trend envied by the civilian marketplace, where tax increases have doubled the price of cigarettes and hurt sales.

In 1973, exchanges accounted for worldwide sales of cigarettes of $249 million and in 1983 enjoyed more than $369.9 million in sales, a 48 percent increase for the decade. Commissaries have witnessed growth from $139.7 million in 1973, to the current 1983 figure of more than $274.5 million, a 96 percent increase. Club systems have experienced healthy growth as well, from $43 million in '73, to more than $81 million in 1983, or 88 percent growth. (*These figures do not take into account the effects of inflation, which during the mid-'70s were considerable. See chart for specific sales figures.*)

Eroding Brand Loyalties

For years cigarette marketers operated on the premise that cigarettes enjoy the greatest degree of brand loyalty among all product categories. Savvy marketing techniques and the continual reinforcement of brand identity was their *modus operandi*. Such techniques helped stave off the adverse publicity and challenges to the public acceptability of smoking for years.

And it's no secret that tobacco companies spend millions of dollars each year promoting their brands, diligently attempting to distinguish each brand cigarette from the other 220 competing brands on the market. "For years that was a prudent plan of action," says one tobacco marketer.

But there are changes afoot. "The market is definitely a totally different animal than 10 years ago," this man who, like most other manufacturer sources contacted for this article, did not want to be identified, continues. "Today's shopper has a lot more choices to make than just between brands and taste."

Many tobacco people agree that brand loyalties are generally weakening among smokers. They cite as evidence the proliferation of new low-tar and ultralow-tar brands in recent years. One exchange manager feels, "My customers are more willing to try something new. There's still brand loyalty, but it isn't nearly as strong as it was a couple of years ago. They are more price and value conscious than ever before."

Despite the macho image of the military, light cigarettes now routinely account for more than one-third of all sales within military outlets, and according to one Navy exchange manager, "Women are buying the lights more than anyone else."

Another store manager points out, "Cigarettes are a good drawing card. They know if they [civilian retailers] put a good price on cigarettes, they're going to get the people. That's one product that I have noticed shoppers will drive out of their way for. Single pack sales are different, however. That's strictly convenience."

With high brand loyalty, price sensitivity was virtually non-existent in the past. But for civilians, all that changed on Jan. 1, 1983, when the federal excise tax on cigarettes doubled from 8 cents to 16 cents. Although cigarettes sold in the military are exempt from these taxes, there remains some concern that this will not always be the case.

Bemoans one store manager, "Cigarette prices have increased more than 100 percent in less than seven years, and you just don't see that in other products. The whole issue of tax-free cigarettes for the military comes up every time you talk about cigarettes. The states can rightfully claim they are losing a lot of revenue to the on-base sale of cigarettes. [The exemptions] may not last forever."

Outside the tax-free gates, however, the news is not good. "Overall sales are down between 4 percent and 5 percent, and we blame the tax increase for a large measure of that drop off," says Bill Toohey, spokesman for the Tobacco Institute, an industry trade association. In the wake of this slippage, the Tobacco Institute has been actively lobbying Congress to curb further tax hikes. (Toohey, incidentally, is one of those who foresees no imminent move to begin taxing tobacco products sold in the military.)

One bright spot for the industry, however, is that overall profits are rising, not only because of falling tobacco leaf costs, but also because of more efficient manufacturing methods. The *Value Line Investment Survey*, a guidebook for potential business investors, points out that the tobacco industry now has the technological capability to produce 6,000 cigarettes a minute, compared with 4,000 only a few years ago.

Value Line says that industry-wide operating profits are expected to expand at a double-digit rate in 1984 — in spite of the fact that many private analysts predict that the total number of cigarettes sold is expected to go up less than 1 percent this year.

Newfound Price Sensitivity

Cigarette marketers have some new concerns to address in their marketing strategies — value, price and segmented audiences. Although these are standard in other product categories, they are relatively new to the tobacco crowd.

Cigarette brands with a market share of one percent or less made up a whopping 42 percent of industry sales in 1983, reports Don Bores, director of trade development for Brown & Williamson.

Increasingly, manufacturers are devising brands that target customers by sex, age, and even geography. Some of the more pervasive trends are those that target specific cigarettes to women, to "macho" males, and more upscale audiences.

Evidence of an increasing concern toward specific targeting of the customer base is readily found by the trend toward bigger packs, such as Philip Morris' recent introduction of 25-count packs of Marlboro Reds and Marlboro Lights, in addition to its traditional 20-count packs. The new packaging began test marketing (including the military) in July '84. "The new offering has exceeded our expectations in the military," says Ted Costas, military sales manager for Philip Morris.

R.J. Reynolds is tinkering with its revamped More Light 100s brand, which were scheduled to get darker cigarette papers and new packaging in September. (The company also recently announced it will introduce a new brand to be jointly produced with two Chinese companies. RJR's participation in the joint venture makes it the first foreign cigarette company to enter the People's Republic of China's domestic cigarette market, billed as the world's largest.)

Industry analysts tell MILITARY MARKET that 1983 marked a period of relatively few new product introductions from the major companies; re-formulations and fine-tunings of existing lines were more prevalent. "The introduction of a new cigarette carries an awesome price tag of about $80 million," advises one industry official.

Heavyweights Vie for Shares

In the brand-conscious world of cigarettes, one marketer introduced the plainest Jane of all when it boldly rolled out a generic cigarette in 1980. Ligget & Myers' generic now garners a 4.50 percent market share in the civilian market and a 10.57 percent market share in the total military market, according to research conducted by the company. "Not bad for a product that everyone scoffed at," says a company spokesman.

Debbie Harris, military sales manager for L&M, tells MILITARY MARKET, "Carton promotions, trade allowances and attended store sales have fueled our growth within the military."

Attended store sales, where company sales representatives stay in the store during an in-store promotion and hand out brochures and product samples, are especially important. "It really helps to reinforce our quality-seal 'Q-Label,' says Harris. "The patrons think of it as a Good Housekeeping Seal of Approval."

Liggett is also testing a new cigarette it has tentatively labeled Dorado, which the company says has been especially developed to appeal to Hispanic tastes. Where Dorado has been tested, it has garnered a 0.68 percent share of the local cigarette market. Though it sounds paltry, within the industry even a 0.5 percent share is considered very successful for a new product. Market research shows Hispanics are unusually brand loyal, diehard fans of Philip Morris' Marlboro and R.J. Reynolds' Winston brands, so these companies can be expected to act competitively.

John Maxwell, tobacco industry analyst for A.G. Becker Paribas, New York, and author of the industry's trade barometer, the Maxwell Report, believes the generic and private-label category will continue to grow, perhaps to 10 or 15 percent of the market by the end of the decade.

Not content to let Liggett dominate the generic business, two industry heavyweights rolled out their own generics this past July. R.J. Reynolds introduced its repositioned Doral brand as a branded smoke at a generic price, while Brown & Williamson entered the fray with its own line of generic and private label smokes.

Liggett recently filed suit in federal court in Durham, Ky., to keep Louisville-based Brown & Williamson from using the letter 'O' on the top seal of

AAFES' 1984 WORLDWIDE CIGARETTE ASSORTMENT

DESCRIPTION	MAXWELL RANK	AAFES RANK
Marlboro, filter king size box	1	1
Winston, filter king size single pack	2	4
Marlboro, filter king size single pack	3	2
Kool, filter king size single pack	4	3
Pall Mall, Red non-filter king single pk	5	7
Marlboro Lts, filter king size single pack	6	6
Salem, filter king size single pack	7	8
Winston Lts, filter king size single pack	8	11
Winston 100s, filter single pack	9	14
Salem Lts, filter king size single pack	10	9
Camel, non-filter reg single pack	11	19
Marlboro 100s, filter single pack	12	10
Marlboro Lt 100s filter single pack	13	12
Merit, filter king size single pack	14	15
Vantage, filter king size single pack	15	21
Salem Long Lts, filter 100s single pack	16	13
Salem 100s, filter single pack	17	16
Winston Long Lts, filter 100s single pack	18	17
Newport filter king size single pack	19	5
Kool 100s, filter single pack	20	24
Benson & Hedges 100s, filter single pack	21	22
Merit 100s, filter single pack	22	23
Generic, Lts filter king	23	29
Marlboro Lts, filter king size box	24	32
Benson & Hedges menthol filter 100s	25	18
Camel, filter king size single pack	26	28
Generic, Lt filter 100	27	31
Camel Lts, filter king size single pack	28	25
Kent, filter king size single pack	29	35
Kool Milds, filter king size single pack	30	20
Vantage 100s, filter single pack	31	39
Pall Mall Gold 100s, filter single pack	32	30
Marlboro 100s, filter box	33	50
Benson & Hedges Lt 100s, filter single pack	34	26
Lucky Strike, non-filter reg single pack	35	46
Viceroy, filter king size single pack	36	40
Newport, filter king size box	37	38
Benson & Hedges Del Ult Lts, filter single pack	38	76
Virginia Slims 100s, reg filter single pack	39	44
Virginia Slims Lt 100s, menthol box	40	37
Benson & Hedges Lt 100s, menthol, single pack	41	27
More 120s, filter single pack	42	36
Carlton 100s, filter single pack	43	33
Kent Deluxe 100s, filter single pack	44	52
Virginia Slims 100s, menthol, filter single pack	45	47
Virginia Slims Lts 100s, filter box	46	58
Golden Lights, filter king size single pack	47	54
Raleigh, filter king size single pack	48	34
Kent III, filter king size single pack	49	49
Kent III 100s, filter single pack	50	63
Tareyton, filter king size single pack	51	55
More Menthol 120s, filter single pack	52	41
Golden Lights 100s, filter single pack	53	48
True Blue, filter king size single pack	54	53
Carlton, filter king size single pack	55	45
Generic, menthol filter king	—	42

SOURCE: AAFES

its generic and private-label cigarette packaging. L&M uses a black and gold 'Q' seal, which has been promoted heavily by the company, and for which a copyright application is pending. The suit asks the court to force B&W to stop using the 'O' and seeks unspecified compensatory and punitive damages.

In response to the suit, B&W issued the following statement: "We believe that our generic and private-label program is both lawful and highly competitive, and we will fight this lawsuit vigorously in order to protect our right to compete. We expect to succeed both in the marketplace and the courtroom."

The recently released Maxwell Report for 1984 shows that Philip Morris has moved out smartly ahead of long-time rival R.J. Reynolds, and now commands a 35.2 percent total market share, compared with 31.3 percent for R.J. Reynolds. Brown & Williamson holds down 11.2 percent; Lorillard and American Brands are running neck-and neck with 8.4 and 8.1 per cent respectively, and Ligget & Myers has grabbed a surprising 5.8 percent share on the strength of its generics.

Philip Morris' Marlboro brand remains the standardbearer for the industry, and four Marlboro varieties place in the top eight ranking of the 1984 Maxwell Report, according to Philip Morris MSM Costas. He credits Marlboro's masculine brand image for its dominant sales position saying, "Everybody loves a cowboy." The company has to date resisted entering the generic fray.

American Brands recently introduced luxury-packaged Carlton Slims, aimed at the women's segment of the market. The company relies on special promotions, in-store demonstrations and deep VPRs to solidify its military audience, according to Dan Conforti, public information manager for the company.

Lorillard introduced some line extensions of its Newport menthol brand, Newport Box 100s and Newport Lights Box 100s. The new entries are designed to capitalize on the growth experienced by both 100mm cigarettes and box-packaged smokes in 1983.

Assessing the Market

More than 50 million Americans (26.4 million men and 24.5 million women) continue to smoke, according to the federal office on Smoking and Health, a branch of the Public Health Service. Although many older smokers may have been unaware of the health risks when they first took up the habit several decades ago, virtually everyone knows today, at least vaguely, that cigarette smoking poses a risk.

Aware that cigarettes are a health hazard, nearly 90 percent of current smokers claim they would like to give up smoking. Eighty to 85 percent of those who have tried to quit, however, say they have relapsed within three months.

In December 1963, the now-infamous Surgeon General's report that first presented the hazards of smoking was published. Looking at the two decades since, smoking has declined, but not at the rate that might be expected. The prevalence of cigarette smoking — at an all-time high before the report — has declined slowly over the last two decades, from 42 percent of adult Americans to 33 percent at last count.

More than thirty million Americans say they have given up the habit. But those who do smoke, smoke more, according to the federal Office on Smoking and Health. From 1965 to 1980, the proportion of smokers lighting up 25 or more cigarettes daily grew from 25 to 34 percent among men and 14 to 24 percent among women who smoke.

Stogies Rebound

Cigar sales climbed for seven consecutive months in 1984, according to the Cigar Association of America, whose members produce 95 percent of the cigars sold in the U.S. First quarter sales were up 4.9 percent from the same period in 1983, with more than 3.54 billion sold that year. The association is actively trying to improve the image of cigars, portraying them as a tool of confidence and relaxation that successful middle-aged men desire.

This is welcome news for an industry which has been in a tailspin since 1964, when 8.9 billion were sold. Sales dropped more than 49 percent since that year. Analysts credit the aging of the baby boom population and society's desire to relax with fueling this surge in what had previously been a declining market. "They [baby boomers] are beginning to mature; they're hitting their mid-30s, which is when men traditionally start taking up cigars," explains one cigar manufacturer.

There has also been some speculation that more cigar-smoking role models are seen on television today than in previous years, which helps the cigar smoker's image. Tom Selleck of "Magnum P.I." and George Peppard of "The A-Team" are two examples.

Consolidated Cigar maintains the No. 1 slot, followed closely by John H. Swisher & Son, Inc. and General Cigar. General Cigar is targeting the smoker of premium cigars — those costing 80 cents or more apiece, and has redoubled its advertising and promotional efforts in both civilian and military outlets for its Garcia y Vega line.

Accessories Market

The distinctive metallic clink of a lighter is a sound virtually every sailor and soldier is familiar with. Military personnel belonging to historic units often purchase lighters with crests, engravings or other insignia adorning them.

"There's no doubt there is something of a love affair between lighters and the military," says a sales representative for Bic, the market leader in the disposables lighter category. Bic estimates it garners between 50 and 55 percent of the disposable lighter market. Disposables unit sales totaled about 450 million last year. Other major players include Scripto, with 24 percent, and Gillette's Cricket, with 16 percent share.

"Our disposable lighters do exceedingly well in the military," says Mike Robinson, military sales manager for Scripto. The company's newest introduction, Electra Lighter, has been acccepted enthusiastically by each of the service's exchange buyers, he says — a situation Robinson said he "rarely encounters."

Scripto offers three distinct lines to the military. Its Mighty Match is targeted to the low end market, Ultra Light to the mid-price range and Electra Lighter to the high end. (High end in the disposables category is still under $1 in the exchanges.)

In the more upscale refillable category, Zippo's lighters have been popular with the military since 1932. In the company's early history, virtually all of its production was earmarked exclusively for sale in exchanges. "Carriers order them at 10,000 at a crack," says Zippo's military sales manager.

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Coupons: A Flurry of Merchandising Activity

There seems to be no end in sight for skyrocketing coupon issues. But the rise in misredemptions and grocers' pressure to raise handling fees may cause their numbers to spiral downward.

Photos by Kate Patterson

By GUY LAMOLINARA
Managing Editor

IT ALL STARTED with an offer of a penny off on a new product called Grape Nuts. Little did the C.W. Post Co. know back in 1895 it had created a merchandising monster that would one day grow to colossal proportions.

Last year, a record 142.9 billion coupons were issued — a 20 percent increase over 1982's level, according to A.C. Nielsen. Over the past four years, says Nielsen, "couponing activity has increased by 76 percent, with distributions rising from 81.2 billion in 1979 to 142.9 billion in 1983."

And the number of redemptions has broken previous records, too. During the last four years, shoppers cashed in 62 percent more than the 3.44 billion redeemed in 1979. These 5.56 billion coupons saved cash-conscious shoppers a whopping $1.69 billion, Nielsen reports.

Not only has the number of redemptions increased in recent years, the incentive manufacturers are offering shoppers to purchase their products with a coupon are on the rise, too. From 1982 to '83 average face value went from 21.7 cents to 24.1 cents for grocery products. (Because of higher markups on nonfood items, especially H&BA, manufacturers can offer even greater inducements to pick up their products, an industry expert observes.)

Even beer makers, the last major holdouts in coupon merchandising, have joined the fray. So far the duopoly of No. 1 Anheuser-Busch and second-ranked Miller Brewing, have not issued coupons, but they are closely watching the results coupons bring to such companies as G. Heileman Brewing and Stroh Brewery.

Because couponing for alcoholic beverages is legal in only 14 states, coupon efforts are being teamed with by-mail refund offers in those states prohibiting alcoholic-beverage coupons.

Surprisingly, coupons account for the smallest portion of major food-advertising expenditures. Their value, however, has risen sharply, from less than 6 percent of total budgets in 1970 to 11 percent in 1979.

Despite these optimistic figures, all does not bode well for the fate of these cents-off certificates. Increasing misredemptions, complaints from supermarketers on the high handling costs and pressure from these same grocers to raise the handling fee may mark the beginning of the end of couponing's charmed past. No one is predicting a precipitous drop in coupon issuance, at least not yet, but *BusinessWeek* magazine says these factors may prove to be "too high for the current binge to last."

Judging by the wave of coupons flooding exchange and commissary checkout lanes, however, "alive and well" may be an understatement when applied to the resale systems' coupon redemptions.

Millions and Millions

For the commissaries, the Big Daddy of the coupon redeemers was AFCOMS, which accepted an astonishing 70,337,449 coupons in FY 1983. Total value of the coupons: $19,093,746.

Navy commissaries redeemed $5,767,000 in coupons last year, and

TSA cashed in 27 million for a grand total of more than $7 million in customer savings.

The giant of the exchange systems, AAFES, took in 2,369,000 coupons in 1983 for a total of $1.456 million in customer savings. Navy exchanges report accepting $1,194,547 last year.

Obviously, coupons are here to stay, and unlike civilian stores, which frequently report they lose money on every coupon they redeem because the manufacturer's handling fee doesn't cover their costs, commissaries actually "profit" from the fee.

This is because the profit-oriented retailers outside the gate, who must pay wages far higher than commissaries do, report that the manufacturer's handling fee exceeds theirs — by many thousands of dollars. For example, TSA says it contributed $769,738 to its operations and maintenance fund, and that was only for the first quarter of FY 1984.

An AFCOMS' accounting official reports similar good news: It costs the agency only 3 cents to process a coupon. With the most commonly paid manufacturer's fee set at 8 cents per coupon redeemed, this means that the agency can pump in 5 cents to its operations and management fund for each of the more than 70 million coupons it accepted last fiscal year.

Navy Exchanges report that it costs a mere 0.00864 cents to process a coupon.

Increasing pressure from grocers to up the handling fee to as much as 10 cents would mean even more money in the resale systems' tills. According to a study done in 1979 by Arthur Andersen & Co., even then some retailers were losing money each time they accepted a coupon. The study said it cost from 5.22 cents to 8.96 cents to redeem a single coupon, averaging 67 percent higher than when the study was conducted in 1974.

The most recent study, in 1983, showed costs had increased to between 5.13 cents and 12.07 cents.

A little over a year ago, Procter & Gamble raised the handling fee from 7 cents to 8 cents. The move was quickly followed by companies such as General Mills, Ralston Purina and Kraft. The 8-cent fee is now the standard in the industry.

According to Carol Boyd, a spokeswoman for P&G, "We raised the fee, in response to the study, about 15 minutes after the study was released."

Although many manufacturers balked at the idea that the handlng fee should be increased, Boyd says P&G took an active role in seeing to it that the study was done.

Who Uses 'Em and for What?

Studies by the Department of Agriculture show that those who could benefit from coupons most — lower income customers — use them least. The reasons vary from simply not being aware of coupons' value in reducing food expenditures to not receiving enough magazines, newspapers, etc. that contain coupons.

Not only do households that use coupons most frequently have the most income, they also have larger families, says a study by John Blair Marketing and Donnelley Marketing.

These same people also spend "significantly more money per shopping trip," the study shows. "Heavy" redeemers (those using three or more coupons per trip) cut their food bill by at least $2.

Although grocers complain that coupons cause them to lose money, the report concludes that, "supermarkets make a lot more money from cents-off coupons than is commonly realized. Coupons, in fact, tend to increase store sales volume and profitability by influencing consumer behavior in a variety of ways that also serve the manufacturers' main marketing objectives."

One of these objectives is to promote impulse buying, which the study says couponing does. Even though profitability is not a controlling factor in a commissary's operations, increased sales certainly are.

Anthony Gallo, of the USDA's Economic Research Service, also notes that, "there is no evidence that food prices would drop in the absence of coupons because manufacturers could shift to other types of advertising."

Only about 4 percent of coupons issued were redeemed last year, and redemptions have hovered around this mark since 1979. Thus although coupon issues have risen steadily during this period, marketers' effectiveness in getting customers to redeem them has not. Of those redeemed, 60 percent were in food stores.

The products most often couponed are in the highly competitive categories of coffee, prepared foods, breakfast cereals and flour and flour-mix products, which account for only 10

(Continued on page 38)

The Coupon Controversy Continues

THE CONTROVERSY of coupon misredemption still plagues the industry, with some experts estimating that as much as 20 percent of all those redeemed are done so fraudulently. This means that of the 5.56 billion redeemed last year, as many as 1.1 million of those may have been illegally cashed in.

Some of the misredemption is seemingly innocent, such as when a cashier mistakenly accepts a coupon past its expiration date or for a product never purchased.

Some commissary managers tell MILITARY MARKET that they really don't have any significant problems with misredemption. "I make sure my cashiers check all coupons for the expiration date and that the customer really bought the product. And I put the fear of God in them, too," an AAFES store manager says. "If they are caught purposely accepting a coupon for products not purchased, they will be fired."

Says another store officer: "Coupon fraud is mostly inadvertant. Cashiers don't check expiration dates."

One manager did speak of a cashier he fired for "sweethearting" coupons. "Helping her buddy helped her get fired," he said.

The Food Marketing Institute reports that the greatest problem with misredemption involves printing and "gang" cutting of mass quantities of coupons.

The Sting

One of the more novel and to some observers, problematic, ways of trapping coupon violators was a "sting" operation conducted May 1983.

Blair Marketing, a major printer and distributor of newspaper advertising inserts, ran a coupon in a Sunday newspaper insert in the New York *Daily News* and *Chicago Tribune*. An offer of 50 cents off a nonexisting product, Essent shampoo, resulted in identification of several possible coupon violators who took the bait.

The newspapers involved had no idea the coupons were "dummies." They were thus perturbed at the prospect of being "used" in the scheme. There is also the question of entrapment when such traps are set.

Operation Essent was funded by the American Society for Industrial Security. Of the more than two dozen committees the society maintains, the Coupon Security Committee works only on coupon fraud.

The Essent effort was not the first time such an operation has been tried. In Detroit in 1982, Attract shampoo was the fictitious product for which a coupon was issued. Fewer than 25 stores turned in the coupons.

Probably the most successful of the sting operations was for the fictitious Breen detergent back in 1978. The ads, placed in the New York *Daily News*, *Newsday* and the Newark *Star-Ledger*, turned up 142 convictions in New York and 71 in New Jersey, says the Postal Service.

This operation showed that the major sources of coupon crime are:

- legitimate stores intentionally submitting coupons for products never sold,
- single stores submitting coupons under several pseudonyms,
- and operators who scheme with legitimate retailers. These operators "gang" cut coupons and cook up deals with reatilers to submit the coupons for them; the retailer and operator agree to split the take.

Checkpoint Charleys

Although coupon clearinghouses maintain checks on coupons fraudulently turned in for redemption, many inevitably fall through the cracks. It is impossible to verify the validity of every one of the billions turned in.

When a coupon's validity is in question, the clearinghouse may ask the manufacturer if it should be redeemed. If an unusually large number of coupons for a product is turned in by a single retailer, that retailer may be asked to submit proofs of purchase for the couponed products.

Advertising Age magazine has described coupon fraud as "a problem that simply will not go away." Although the 20 percent misredemption rate is probably not increasing, the number of misredemptions still is. Reason: The mushrooming of coupon issues.

Industry experts say most of the money paid to fraudulent "dummy" companies is to organized criminals who buy newspapers in bulk, clip the coupons "gang" style, and turn them into a clearinghouse. Some perpetrators of coupon fraud have even been known to print coupons themselves.

The U.S. Postal Service has gotten in on enforcement efforts. Since use of the mails is essential to the schemes' success, sending coupons for fraudulent redemption via U.S. mail is a federal offense.

Even newspapers that print coupons are joining in helping to stem the illegal activity. The Cleveland *Plain Dealer*, for example, will not refund its carriers for unsold newspapers unless those papers are returned to its offices.

GVF Communications, one of the major suppliers of coupons, has sponsored a workshop called Promotion Watch. One of the goals of the program is to encourage companies to turn in names to law-enforcement officials of suspected coupon bandits. Many companies simply refuse to redeem the coupons in question.

In 1979, when a coupon-fraud ring was nabbed, the before-and-after picture gave manufacturers and retailers an idea of how big the problem of misredemption really is. In June 1979, when the ring operated, 5 million coupons were submitted for redemption from the San Francisco area. A year later, after the ringleaders had been caught, the figure plummeted to just over 3 million.

Members attending the workshop were urged by coupon suppliers to regulate themselves rather than let Congress interfere. Many marketers, however, are pushing for congressional action. The suppliers do not support the move because they fear any federal legislation will come with unwanted attachments concerning coupon regulation. Such was the case when credit card companies pushed for federal legislation against criminals, only to find themselves saddled with the unwelcome truth-in-lending law.

Even though those working to combat fraud have made some headway, there is no end in sight to the mounting problem. Coupon fraud's profitability means it's here to stay — for a very long time.

— G.L.

COUPONS

(Continued from page 35)

percent of totals at the checkout but a whopping 60 percent of the value of coupons redeemed, USDA reports.

One complaint of commissary managers is that manufacturers' coupons reduce their control of precious shelf space. "There's pros and cons to them. Yes, they help me sell more product, but on the minus side, they mess up my store because I have to stock more of the couponed item to keep up with demand. They also make it difficult to control not-in-stock situations when I can't get enough of the item to meet demand," grumbles a Marine commissary officer. "And when I'm out of an item, especially one with a coupon, my customers are doubly angry."

Some consumer groups have charged that coupons promote unhealthy eating because they are most often issued for highly processed foods. Whether processed foods are nutritious is a matter for debate, but what is indisputable is that coupons are primarily offered for storable, branded items, rather than for less processed, perishable products.

They also have little effect on the demand for raw farm products for a similar reason: Coupons are mostly used to promote foods with a low farm value compared with retail purchases, says USDA.

Media Rules the Roost

Which factors influence a shopper's redeeming one coupon and not another? The answers are probably as myriad as the couponed products themselves. Maybe the coupon's for a new product the customer feels he just *has* to have. It could be for a product the customer already has a brand attachment to. Perhaps the shopper is thinking about switching brands, or has no particular allegiance to any one brand, and will buy whatever product in the category he can redeem a coupon for. A coupon in a hard-to-find place in the newspaper may spell disaster for its redemption rate, or maybe the coupon won't get clipped for the seemingly minor consideration that the reader doesn't have a scissors handy.

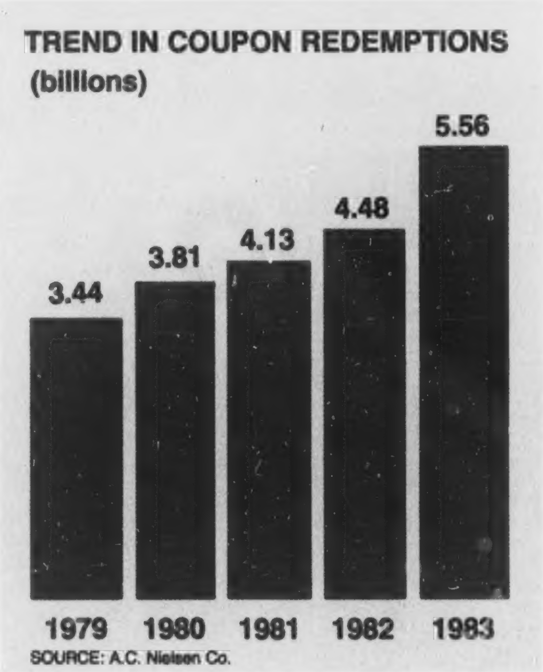
According to Nielsen, the method of distribution is among the most important factors influencing redemption, with instant on-pack coupons, at 24.7 percent, far outpacing the No. 2 redemption rate, 18.3 percent, for regular in-pack coupons. Among the print media, direct mail is the most commonly cashed in coupon, at 8.9 percent, followed by magazine pop-up coupons, at 5.1 percent. For newspapers, the free-standing Sunday insert is the most effective, with a 4.3 percent rate. (These figures apply to grocery products only.)

What Good Are They?

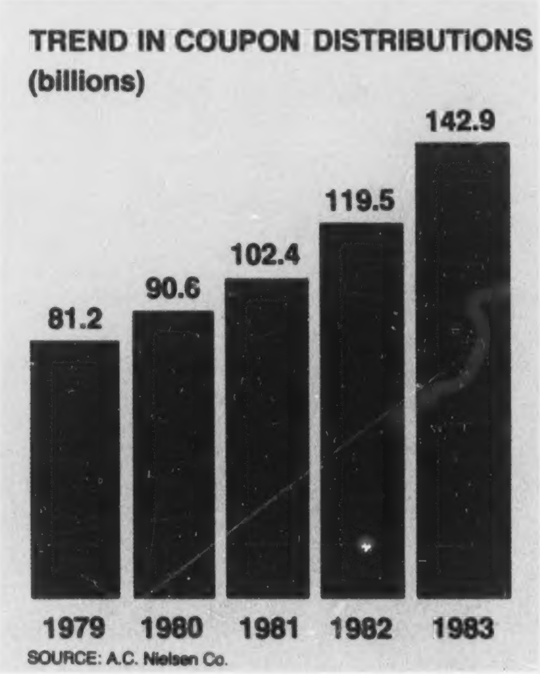
Despite the increasing costs for manufacturers to issue coupons, they are still willing to swallow the sometimes bitter pill for the sake of the benefits. Coupons are not a cure-all for an ailing product or for a struggling new one either, but they do help increase a product's exposure. "Coupons are an efficient way to encourage trial and re-trial of our products in the belief they meet consumers' needs better than a competitor's product," Boyd tells MILITARY MARKET. "But in order to work, consumers must have some interest in the product category. The future of a product depends entirely on customer satisfaction. No marketing plan can influence repurchase if a customer doesn't need or want the product," she warns.

Another manufacturer agrees: "We learned our lesson the hard way. We tried to use coupons and other devices but finally gave up when we realized the public just didn't *want* it [the product]. It was an expensive lesson, and we have learned to put more money into R&D [research and development] than into reviving dying brands."

In general, MILITARY MARKET has found that manufacturers are strongly



SOURCE: A.C. Nielsen Co.



SOURCE: A.C. Nielsen Co.

in favor of coupons and their continuance as a marketing tool. "I can think of no other way that better encourages product trial than a coupon," says the military sales manager for a major H&BA firm.

And although consumer groups have complained vociferously about coupons' share of the food bill, their cries have mostly fallen on deaf ears. "Couponing adds only three-tenths of 1 percent to the costs of products in couponed categories," says P&G's Boyd, "and this amount could not be reflected in reduced prices. Without coupons, grocery bills would be higher," she says unequivocally.

These same critics have suggested that manufacturers find alternative methods of promotion, but Boyd responds that, "if there were a more effective method of promotion, manufacturers no doubt would use it. Coupons have been overwhelmingly accepted" by the public.

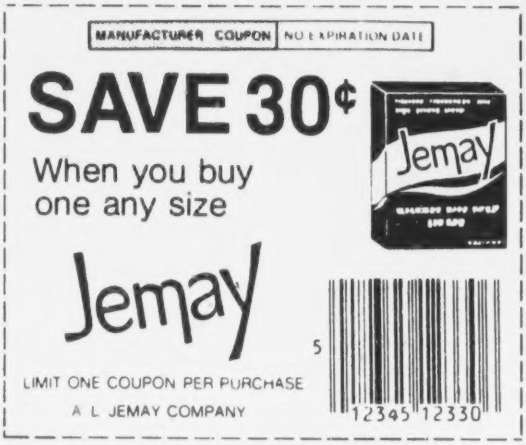
Commissary managers randomly called by MILITARY MARKET are no exception. "We want as many of them as we can get," a TSA store manager says. "Sometimes the reps don't give me enough coupons for a [promoted] product, so the customer loses out — and so does the rep and his boss [the manufacturer]."

An AFCOMS store officer says the benefits of coupons far outweigh any difficulties his store might have with their redemption. "Sometimes we don't get credited for coupons we accepted after their expiration date, but this happens so infrequently that it's not a big problem."

Some managers are vigilant about getting coupons into their stores. This NAVRESSO officer from the Norfolk area says, "I always look in grocery stores outside tha gate for items that have a coupon, and if I don't have that coupon in my store, I call our broker and I want to know why not. Our customers deserve every break they [civilian shoppers] are getting."

This same officer does, however, express a major complaint about coupons. Says he: "It takes too long for my cashiers to check the coupon for expiration date, the size of the pur-

CASHIER M. FORTUNE checks a "small" stack of coupons for expiration dates and proof of purchase before keying them into a register at the Fort Belvoir, Va., commissary.



MANUFACTURER COUPON | NO EXPIRATION DATE

SAVE 30¢

When you buy
one any size

Jemay

LIMIT ONE COUPON PER PURCHASE
A. L. JEMAY COMPANY

5 12345 12330

Example of a coupon conforming to trade-practice recommendations for standardization

SOURCE: Grocery Manufacturers of America chase required, etc. They need to standardize them."

Industry Recommendations

The officer would be glad to hear that just such a thing is afoot within the grocery industry. Coupon standardization was the focus of a seminar at the Food Marketing Institute's annual convention last May in Dallas and is also the subject of a pamphlet issued by the Grocery Manufacturers of America.

"Trade Practice Recmmendations for the Grocery Industry" was a result of the Andersen study on redemption costs. GMA says the potential savings for the industry are enormous, should its recommendations be adopted. "The potential savings and avoidance of cost increases totaling $88 million to $129 million were identified," in the report.

Although many of the savings can only be realized through change on the part of commissaries and civilian grocers, a sizable portion of the cost-cuttting measures must come from the issuers of coupons themselves. The report cites several manufacturer practices that contribute to increasd coupon-handling costs.

Coupons of nonstandard sizes, shapes, formats and materials cause increases in processing. The GMA recommends:

- coupons be distributed in standard sizes and shapes,
- that they be of a texture and weight that can be processed efficiently,
- that those coupons distributed through print media should, whenever possible, be perforated or positioned in such a way that it encourages consumers to submit them in good condition for easier check out and permits mechanical identification and counting.

As for the format itself, the GMA suggests:

- the terms of the coupon offer should be stated in simple, easy-to-read language on the coupon itself,
- that the words "manufacturer coupon" be printed in boldface type at the top of the coupon in an outlined area,
- that the value be clearly stated and prominently shown,
- and that purchase requirements be clearly stated and prominently shown on the coupon's face.

One of the thorns in many a cashier's side is finding the expiration date, if the coupon has one at all. Manufacturers could not have made this task more confusing — to both consumer and cashier alike — had they planned on doing so. An AFCOMS cashier in Virginia puts it this way: "It probably takes me from five to 10 seconds to check out a coupon to make sure it's OK to accept. I can almost always remember if the customer purchased the [required] product, but finding the expiration date, that's another story altogether. You never know where it might be. Sometimes it's on top, sometimes on the bottom, sometimes on the back, or sometimes there's none at all. But I still have to look all over the coupon just to make sure there really is no expiration date. I just wish they'd quit printing them with expiration dates. It'd make my job a helluva lot easier."

The GMA has answered her prayer. The only problem left is to convince manufacturers to agree with GMA's recommendation that "expiration dates should be avoided whenever possible."

And if an expiration date must be used, it should be in bold type immediately following the words "manufacturer coupon" in the same outlined area. The words "no expiration date" should also appear in the same area, if used.

Although many manufacturers have taken this step, others seem to be going in the opposite direction. Instead of dropping the expiration date, they are shortening it, affixing phrases like "hurry, coupon expires Dec. 31, 1984," in an attempt to increase redemption and control promotional periods.

One manufacturer familiar with the GMA recommendations reasons, "If you don't have an expiraton date, you have a lot of coupons out there with no way of determining when they might be redeemed. You have no way of judging the effectiveness of a [coupon-related] promotion since you never know when you won't get any more" redemptions of a particular coupon.

A spokesman for a major coupon clearinghouse has his own reasons for opposing the elimination of expiration dates. "It's expensive for us to keep a hole open indefinitely for a coupon that may never come in again" because it was issued so long ago.

The "hole" he was referring to is literally one of thousands of pigeonholes in which workers, in places such as Haiti as well as the United States, pop thousands of coupons a day into their proper slot. Many of the Haitian workers don't even know what a coupon is for. They work for wages about one-fifth the U.S. minimum wage, doing their job more by rote than by comprehension.

Machine-Readable Coupons

Just as POS scanning systems have changed the way cashiers, accountants, store managers and nearly everyone in those commissaries that have scanning do their jobs, so too are the systems beginning to infiltrate coupon procedures. The methods of processing are changing with the goal of reducing handling costs.

The GMA has recommended that, "coupons be encoded with a symbol that conforms to Universal Product Code guidelines." Paul Kelly, GMA's vice president for marketing, urged manufacturers at the FMI meeting last May to "develop software for coupon scanning." Many have already done so, with more on the way.

Three factors have stifled the use of scannable coupons, says Timothy Hammonds, FMI's vice president for research:

- There was a dispute over who owned the patent rights to use bar codes — a developer of a coupon-scanning system or manufacturers. Two courts have decided in favor of manufacturers, but those decisions may be appealed.
- There were not enough stores using scanning to make development of a coupon-scanning system practicable. But since about 25 percent of all civilian stores now have the system, this is no longer a roadblock.
- POS systems must be modified so the scanner can check if the proper item was purchased and then be able to deduct the amount from the bill. An NCR official estimates costs will run as much as $5,000 per store.

Besides the savings from reduced handling times, the system will target shoppers who prey on cashiers who either don't remember which products were purchased or don't care. The system will not accept coupons for products not purchased.

Paul Kiernan, Safeway's industrial engineering department manager, suggests that manufacturers and grocers share the costs since both will benefit from coupon scanning.

Another benefit of coupon scanning is that it enables electronic matching of coupon redemptions with actual purchases. This will allow store managers to check on cashiers who redeem coupons for items not purchased.

To accept or not to accept coupons is an issue manufacturers, retailers, commissaries and consumers themselves will disagree on for years to come. But what they all admit, says P&G's Boyd, is that, "Coupons help sell merchandise."

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H&BA: New and Improved Varieties Fuel OTC Sales

The military's emphasis on health and fitness, a trend toward self-medication, innovative new products and the over-the-counter availability of drugs that were once prescription only are among the forces helping to drive the H&BA market upward in both commissaries and exchanges.

By JAY BLUCHER
Associate Editor

ONE ASPECT THAT H&BA products have going for them that perhaps no other category of products can claim, is that they are used daily by all segments of the population. The market universe for H&BA appears to be, well, *universal*.

However, H&BA items also have some of the most fiercely loyal consumers, shoppers who often appear unwilling to try new products or substitute brands when their first choice is not available. "Consumers will drive out of their way for a particular brand of shampoo if they don't find it on the shelves," observes one AAFES store manager, "so you have to monitor them closely for out-of-stocks."

H&BA marketers view the military as fertile soil for H&BA brand loyalty to grow and be carefully nurtured. One marketer describes the H&BA market as "a bastion against the tide of eroding brand loyalty among American consumers."

There is certainly no dearth of products to choose from, either. A classic example of brand proliferation exists in the shampoo subcategory, where in 1956, there were a total of 1,200 H&BA products on the market, and in 1983, there were 1,083 *shampoos* alone, according to Towne-Oller statistics.

The military's burgeoning ranks of young people and recently married couples, makes this arena what one marketer calls "an excellent area to establish brand loyalties."

One exchange manager perceptively points out that, "When these young people leave the service. they take along with them shopping patterns and preferences that they have acquired by shopping in the exchanges and commissaries."

Additionally, the military services' particular interest in good health and physical fitness have favorably influenced the sale of H&BA products in the exchanges, especially for such subcategories as vitamins, oral hygiene and self-medication products.

In FY 1983 AAFES recorded total H&BA sales of more than $267.8 million, and in 1982 registered sales of $256.7 million. Based on AAFES' sales through December 1983, retail dollar sales for FY '83 are projected to be about 4.4 percent ahead of FY '82.

Although outwardly this appears encouraging, AAFES officials say that considering the higher cost prices that have been experienced in 1983, this 4.4 percent increase basically reflects inflationary factors, with real unit growth being in the 0.5 percent — 1 percent range. For FY '84, the resale giant is projecting retail sales of $281.2 million, approximately 5 percent ahead of FY '83 estimates.

AAFES buyers are optimistic, citing several factors they believe point to even better 1984 H&BA sales, such as, striving toward a more up-to-date assortment, improved distribution of products, competitive prices, intense promotional activity, plus continued upward sales in ethnic and AAFES-brand H&BA items *(See chart for complete listings)*.

Overall, the H&BA department contributes 7.7 percent of AAFES' total sales. NAVRESSO reports its H&BA sales contribute about half that much, 3.5 percent toward the Navy exchange's total retail departments. NAVRESSO posted more than $44.5 million in 1983 sales.

AAFES' H&BA buyers report they attend such trade shows as the Chicago Housewares Show, Beauty and Barber Institute, Chicago Private Label and Las Vegas Sunglass Trade shows. NAVRESSO buyers tell MILITARY MARKET that in place of attending trade shows, they prefer to carefully watch the product movement reports within the H&BA aisles.

Brush Returns

Many H&BA categories are sporting new products that will begin entering the military pipelines shortly. For example, Gillette is introducing Brush Plus this fall, an all-in-one brush and shaving-concentrate system. The company predicts that the product will create a niche all of its own. Or at the very least, Gillette hopes to take a sizable bite out of the 55 million so-called wet shavers. More than 83 percent of those shavers use aerosol products.

During the past year, the company has been concentrating on repositioning Right Guard with a $28 million promotion budget and establishing Body Flowers, a new deodorant/cologne with an $11 million advertising introduction.

An Alternative to the Tube

There has been some radical innovation taking place in the toothpaste aisles lately. The first real trend that started a few years ago was gels, which now, incidentally, account for 35 percent of the market in AAFES' outlets. Marketers are predicting that the second wave of innovation will center on pumps, a new and novel method of dispensing toothpaste.

First out of the gates was Check-up, a pump dispenser toothpaste from Minnetonka Inc., the same folks who introduced SoftSoap. Check-up is the result of an agreement between Minnetonka and West German-based Henkel KG, which has been marketing a similar product in Europe under the Thera-Med brand name for several years. Company officials say they are counting on Check-up to be as significant as SoftSoap was when it was first introduced.

Minnetonka's introduction was the opening salvo in what has sparked a new marketing war. Colgate-Palmolive is also rolling out a pump-dispenser toothpaste under its Colgate brand name, which is now available in both commissaries and exchanges.

Unlike many companies which tend to treat the military market as a separate and distinct entity unto itself, Pat Manzione, military sales manger for Colgate-Palmolive tells MILITARY MARKET, "We look at our military parton as a *Colgate* customer, and not a *military* customer, exclusively. It's always been our philosophy to offer the same products, even in test markets, to the military as [we offer] the civilian population."

In addition, further competition is expected to come from both Lever Bros., and industry giant P&G, which are already working on pump-dispenser products. Analysts and trade sources expect P&G to follow quickly with a line extension of its Crest line, the market leader in this category

SALES OF AAFES BRAND H&BAs

DESCRIPTION	SOURCE	ANNUAL UNITS	SELL PRICE
Toothpaste, smokers 6.4 oz.	Iodent	75,400	$1.39
Toothpaste, reg. fluoride 6.4oz.	Perrigo	100,900	.79
Toothpaste, mint fluoride 6.4oz.	Perrigo	120,300	.79
Toothpaste, gel 6.4 oz.	Perrigo	65,100	.89
Mouthwash, green 24 oz.	Pennex	173,200	.79
Shampoo, cond. slf-adj. x-bod, 16 oz.	Iodent	43,200	1.29
Shampoo, self-adj. reg. 16 oz.	Iodent	33,100	1.29
Shampoo, green x-rich 16 oz.	Pennex	41,100	1.39
Shampoo, golden 32 oz. (recalled)	Pennex	116,300	.99
Shampoo, balsam/protein reg. 16 oz.	Pennex	101,100	1.19
Shampoo, herbal 16 oz.	Iodent	87,900	1.09
Shampoo, dandruff lotion 11 oz.	Perrigo	86,000	1.49
Shampoo, professional 12 oz.	Iodent	57,000	1.59
Shampoo, concentrate 7 oz.	Iodent	96,200	1.29
Shampoo, dandruff concentrate 7 oz.	Iodent	75,200	1.29
Conditioner, regular balsam 16 oz.	Pennex	91,600	.99
Rinse, professional 12 oz.	Iodent	32,800	1.59
Razor blades, cart. 9s	ASR	579,400	1.79
Razor blades, adj. cart. 10s	ASR	255,200	1.99
Razor blades, DE 10s	ASR	482,800	.89
Razor blades, injector 11s	ASR	239,600	.99
Razor, swivel-head disp. 6 pk.	ASR	250,000	1.09
After shave lotion, plastic bottle 6 oz.	Pennex	100,000*	1.09
After shave lotion, glass bottle 4 oz.	Pennex	135,500	.79
Bar soap, moisturizing white 5 oz.	Hewitt	150,000	.39
Bar soap, deodorant gold 5 oz.	Hewitt	200,000	.39
Bar soap, green marbelized 5 oz.	Hewitt	305,000	.39
Soap, liquid 17.5 oz.	Amole	25,000	1.39
Bath oil, childrens 32 oz.	Amole	20,600	1.19
Bath oil, skin care 16 oz.	Pennex	57,900	1.79
Bath oil, honey/almond 32 oz.	Amole	65,000	1.19
Bath oil, apricot 32 oz.	Amole	65,000	1.19
Bath oil, foaming peach 32 oz.	Amole	36,700	1.19
Bath oil, foaming strawberry 32 oz.	Amole	73,300	1.19
Milk bath, pink 32 oz.	Amole	64,000	1.19
Powder, shower/bath 13 oz.	Iodent	89,900	.99
Deodorant, stick 2.5 oz.	Iodent	130,400	1.09
Cosmetic puffs, rayon 300s	Am. White Cross	164,400	.59
Cold Creme, 7.5 oz.	Pennex	43,400	1.49
Skin cream, medicated 16 oz.	Pennex	92,600	1.19
Skin lotion, cocoa butter 16 oz.	Iodent	199,500	1.09
Beauty lotion, moisturizing 4 oz.	Iodent	45,600	1.49
Skin care lotion, 16 oz.	Pennex	196,000	.99
Suntan lotion, 8 oz.	Pennex	68,700	1.19
Nail polish remover, 8 oz.	Vi-Jon	274,540	.69
Maxi pad, 30s	Hosp. Special	60,000*	1.69
Mini pad, 30s	Hosp. Special	54,000*	1.29
Facial tissue, pocket pack 12/10 ct.	Diamond	204,000*	.89
Facial tissue, 200s 2-ply	Kimberly	493,600	.59
Paper towel, jumbo 100 ct.	Kimberly	623,900	.59
Toilet tissue, 4-roll asst. colors	Kimberly	418,200	.89
Toilet tissue, 4-roll white	Kimberly	151,600	.89
Rubber gloves, yellow large	Eagle	24,600	.79
Rubber gloves, yellow small	Eagle	38,200	.79
Rubber gloves, yellow medium	Eagle	37,400	.79
Aspirin, safety cap 250s	Cumberland	241,600	.99
Aspirin substitute, reg. 100s	Chase	20,100	.99
Aspirin substitute, x-strength 100s	Chase	92,200	1.29
Mineral oil 16 oz.	Cumberland	36,400	1.29
Epsom salts, 16 oz.	Pennex	64,600	.59
Laxative, natural 14 oz.	Pennex	43,700	2.49
Cold capsules, time release 20s	Pennex	97,000	.99
Cold medicine, liquid 6 oz.	Pennex	166,500	1.09
Cough syrup, DM 6 oz.	US Drug	49,100	1.09
Alcohol, ethyl 16 oz.	Cumberland	139,000	.59
Alcohol, isopropyl 16 oz.	Pennex	516,000	.49
Hydrogen peroxide, 16 oz.	Pennex	213,600	.49
Witch hazel, 16 oz	Cumberland	65,700	.79
Merthiolate, 1 oz.	Cumberland	28,900	.49
Calohist lotion, 6 oz.	Pennex	48,900	.99
Plastic adhesive bandages, 80s	Acme	73,800	1.19
Cotton balls, 300s	Am. White Cross	366,100	.69
Petroleum jelly, 16 oz.	Pennex	175,700	1.19
Vitamin, multiple w/iron 100s	Vita-Fresh	109,000	1.09
Vitamin, C 500mg chewable 100s	Scherer	55,200	1.69
Vitamin, chewable mult. 100s	Vita-Fresh	86,300	.99
Vitamin, natural mult/minls 100s	Vita-Fresh	36,400	1.99
Vitamin, hi-pot mult/minerals 100s	Vita-Fresh	35,500	1.99
Vitamin, mega/minerals 100s	Vita-Fresh	26,700	3.99
Vitamin, multiple 100s	Vita-Fresh	61,300	.89
Vitamin, C chewable 250mg 100s	Scherer	111,900	1,09
Vitamin, E 200 IU capsules 100s	Chase	152,900	1.69
Vitamin, B-6 100s	Scherer	62,900	1.09
Vitamin, A 10,000 USP 100s	Chase	106,500	.99
Vitamin, E natural 400 IU 100s	Chase	337,300	3.99
Vitamin, B-12 100s	Scherer	93,300	.99
Vitamin, therapeutic w/minerals 100s	Vita-Fresh	164,100	1.99
Vitamin, E 400 IU 100s	Chase	217,300	2.99
Vitamin, C 500mg 100s	Scherer	123,700	1.59
Vitamin, multiple w/iron 250s	Vita-Fresh	69,300	2.19
Vitamin, C 500mg 250s	Scherer	76,200	3.09
Vitamin, multiple 250s	Vita-Fresh	41,500	1.89
Vitamin, C 1000mg 100s	Scherer	98,200	2.99
Vitamin, E 1000 IU 50s	Chase	189,600	2.99
Vitamin, multiple w/minerals 100s	Vita Fresh	97,000	1.99
Vitamin, B-50 tablets 100s	Vita-Fresh	67,300	2.69
Vitamin, stress formula 100s	Vita-Fresh	44,900	2.49
Vitamin, stress formula w/iron 100s	Vita-Fresh	85,300	2.59
Vitamin, B-1 100mg 100s	Scherer	30,000	1.29
Vitamin, C w/rosehips 500mg 100s	Scherer	65,100	1.69
Vitamin, C time-rls 500mg caps	Freshlab	57,100	2.49
Vitamin, stress form. w/zinc 100s	Vita-Fresh	34,800	2.49
Lecithin, 100s	Chase	172,900	1.99
Wheat germ oil, capsules 100s	Chase	27,200	.99
Cod liver oil, capsules 100s	Chase	39,000	1.19
Brewers yeast, 500mg 300s	Amcon	41,900	1.29
Iron tablets, 5gr 100s	Amcon	62,800	.99
Dolomite tabs, 100s	Amcon	49,400	.89
Chewable multi-iron, 100s	Vita-Fresh	41,700	1.19
Kelp-lecithin-B6, 100s	Chase	32,000	1.99
Zinc tablets 30mg, 100s	Amcon	66,600	1.09
Calcium tablets, 100s	Amcon	104,600	.99
Potassium gluconate, 100mg 100s	Amcon	44,220	1.09
Diet caps, w/o caffeine, x-strength 40s	Perrigo	114,400	1.29
Gelatin capsules, 100s	Tishcon	40,200	1.49
Baby powder, 14 oz.	Pennex	189,100	.99
Baby lotion, 16 oz.	Iodent	134,500	1.09
Baby oil, 16 oz.	Pennex	368,600	1.19
Baby shampoo, 16 oz.	Iodent	123,900	.99
Cotton swabs, 300s	Acme/Chaston	228,500	1.19
Disposable, towelettes/wipes 80s	Nice-Pak	80,600	1.99
Insole, tingle feet 1580 men's med	Sentinel	62,500	.79
Insole, tingle feet 1580 men's lg	Sentinel	69,400	.79
Insole, tingle feet men's x-lg	Sentinel	32,600	.79
Insole, tingle feet ladies med	Sentinel	33,100	.79
Insole, tingle feet ladies lg	Sentinel	35,700	.79
Insole, deodorant 1090 men's med	Sentinel	49,600	.69
Insole, deodorant 1090 men's lg	Sentinel	59,200	.69
Insole, deodorant ladies med	Sentinel	21,900	.69
Insole, deodorant ladies lg	Sentinel	21,800	.69

* New item, therefore volume is estimated

SOURCE: AAFES

with a 35 percent share.

Colgate, currently commanding a 22 percent market share, is firmly entrenched in the No. 2 position. Rounding out the category, Beecham's Aqua-fresh has 11 percent; Lever's Aim commands 10 percent; Lever's Close-up and Pepsodent each hold 7 percent, and Colgate's Ultra Brite and P & G's Gleem both secure 2.5 percent of the market.

For the last couple of years, the companies have been gaining business through gel line extensions. Crest's gel accounts for 10.5 percent of its total share and Colgate's 8.5 percent.

Market analysts point out that the new product should prove popular with children, who it is hoped will welcome the pump as a way to make the daily necessity of brushing their teeth less of a drudgery, and perhaps, even fun.

Ibuprofen: New Kid in Town

Pain relievers have been in the news lately, with marketers anxiously awaiting to see whether newly approved ibuprofen can knock aspirin and acetaminophen off the shelves. The recent introduction of this drug in an over-the-counter offering has thrown the industry into a competitive scramble, not to mention touching off a major advertising war to boot.

Head-to-head competion in this market is centered around both Bristol-Myers and American Home Products who have recently introduced versions of the product. Bristol-Myers' version is called Nuprin (it's actually made by Upjohn; Bristol-Myers markets it) and American Home Products' is named Advil. Their primary target is Johnson & Johnson's Tylenol, the leader in the lucrative $1.4 billion analgesics market.

Total over-the-counter consumer sales averaged more than $6 per person spent on nonprescription analgesics. In our pill-oriented culture, Americans pop more than 20 billion aspirin or aspirin-containing tablets annually — 46 per second, almost 100 tablets per person annually.

The pain reliever market represents the largest segement of nonprescription drug sales in the United States. According to various industry sources contacted by MILITARY MARKET, the pain reliever market breaks down as follows: Tylenol — 25 percent; Anacin/Anacin 3 — 14 percent; Excedrin — 8 percent; Bufferin — 8 percent; Bayer — 8 percent, while other brands, house brands and generics account for more than 37 percent.

Ibuprofen is an anti-inflammatory drug that has long been prescribed for arthritis and menstrual pain and is currently the fifth-largest-selling prescription drug in the U.S., under the Motrin label.

The companies have high hopes for the drug, citing some industry analysts' predictions for sales of ibuprofen to surpass the $200 million mark in five years. "The market for pain relievers is tremendous," says David F. Saks, a drug industry analyst for Becker Paribas. "Ibuprofen in all its brands may eventually command a market as big as $500 million."

"The stakes are so large that American Home Products has committed the largest advertising budget ever dedicated to the launch of a new over-the-counter drug to promote Advil," according to a company spokesman.

"The military has responded very well to the new drug, and we believe the military consumer is now aware that there are three over-the-counter options for pain relief — aspirin, acetaminophen and ibuprofen," says George Evans, spokesman for Bristol-Myers.

Protecting Tylenol against the new kid on the block's incursion is especially important to Johnson & Johnson, since that company spent $100 million recalling the product and untold millions in advertising to reassure its customers after cyanide-laced Tylenol caused seven deaths in the Chicago area in 1982.

Industry analysts believe Tylenol stands to lose market shares to ibuprofen, but also say that the analgesic market could expand from $1.4 billion last year to between $1.5 billion and $1.6 billion by year's end — in part due to the introduction of Advil and Nuprin.

Cough 'n' Colds

There's some big news on the cough 'n' cold front, as Kimberly-Clark Corp. has begun test marketing in the northeastern U.S. a product it calls Avert, a three-ply virucidal tissue that is specially treated to kill major cold viruses. The company belives Avert will prove to be a major advance in fighting the spread of viruses which cause colds and flu.

The $775 million facial-tissue category is dominated by Kimberly-Clark, which grabs an estimated 45 percent of the market on the strength of its Kleenex brand. Procter & Gamble's Puffs holds down the No. 2 spot with 20 percent, and Scott Paper Co.'s Scotties is No. 3 with a 9 percent share. Private label and generic brands garner the remaining 18 percent of the market.

The cough and cold category is described by Becker Paribas market analyst David Saks as a mature market. "The market seems to vary yearly in something of a 10-year cycle, in peaks and valleys. Right now, I'd say the market is in the latter part of a valley."

Overall, the cough and cold market valley climbed between 15 and 20 percent, according to various market analysts contacted by MILITARY MARKET. Cough and cold capsules, buoyed by brisk sales of so-called 'sustained action' varieties such as 12-hour Nyquil and others, accounted for more than $522 million in sales. Cough syrups accounted for $323 million; cough drops checked in with $168 million and nose sprays captured another $108 million.

Saks points out that there will always be a cold remedy market, as long as there is no cure. "There is no magic silver bullet to cure the common cold, so everything on the market right now merely tries to pacify the symptoms and discomfort of a cold. Like the cockroach, the common cold will be with us forever."

Adults average about one cold a year in the United States, with the peak season for colds running from Christmas through George Washington's Birthday. Saks sees this as a major factor in the market remaining mature. "Between the ages of 5 and 50, the majority of colds are usually minor, so the heavy half of the market is centered around the very young and old. The growth in the market is not related to the aging process. The level of incidence of colds is not changing — only the number of treatments for the symptoms are."

He also sees the trend toward self-medication as helping to boost this market segment. "Today's buying public is much more aware of health concerns," says Saks. "They seek to avoid going to the doctor as much as possible; it's antimotivating; it's hostile; it's much easier to take something for the symptoms."

Benefiting from this trend are the drug companies whose products have crossed over from the prescription category to over-the-counter aisles. Many drugs previously available by prescription have significantly increased their market by becoming more readily available to consumers. Notable examples include Afrin, which is now the No.1 nasal spray after crossing over; Chlor-Trimetron, whose sales have grown 12 to 15 times; and Drixoral, which went over-the-counter in 1982 and subsequently doubled its sales.

Saks points out that consumers increasingly believe that "anything that was once in prescription form must be better."

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Commissaries

		JUNE			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$158,624	$154,763	+2.49	$909,517	$874,118	+4.05
	OVERSEAS	31,295	29,155	+7.34	179,331	174,166	+2.97
	TOTAL	**189,919**	**183,918**	**+3.26**	**1,088,848**	**1,048,284**	**+3.87**
Army	CONUS	109,515	103,425	+5.89	634,725	619,172	+2.15
	OVERSEAS	29,820	35,070	-14.97	201,810	199,774	+1.02
	TOTAL	**139,335**	**138,495**	**+0.61**	**836,535**	**818,946**	**+2.15**
Navy	CONUS	72,228	65,675	+9.98	366,382	330,178	+10.96
	OVERSEAS	8,640	7,259	+19.02	42,932	37,701	+13.87
	TOTAL	**80,868**	**72,934**	**+10.88**	**409,314**	**367,879**	**+11.26**
Marines	CONUS	13,495	11,817	+14.20	78,498	67,813	+15.76
	OVERSEAS	236	188	+25.53	1,225	1,131	+8.31
	TOTAL	**13,731**	**12,005**	**+14.38**	**79,723**	**68,944**	**+15.63**
Coast Guard	CONUS	222	313	-29.07	1,402	1,622	-13.56
	OVERSEAS	235	131	+79.39	1,592	1,027	+55.01
	TOTAL	**457**	**444**	**+2.93**	**2,994**	**2,649**	**13.02**
All Commissaries	CONUS	354,084	335,993	+5.38	1,990,524	1,892,903	+5.16
	OVERSEAS	70,226	71,803	-2.20	426,890	413,799	+3.16
	TOTAL	**$424,310**	**$407,796**	**+4.05**	**$2,417,414**	**$2,306,702**	**+4.80**
Grocery Stores	U.S.[1]	**$22.242 bil.**	**$20.565 bil.**	**+8.15**	**$125.836 bil.**	**$117.535 bil.**	**+7.06**

Exchanges

		JUNE			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$249,029	$242,176	+2.83	$1,359,795	$1,329,070	+2.31
	OVERSEAS	159,371	156,314	+1.96	928,758	914,056	+1.61
	TOTAL	**408,400**	**398,490**	**+2.49**	**2,288,553**	**2,243,126**	**+2.03**
Navy	CONUS[2]	92,264	86,015	+7.27	509,955	493,884	+3.25
	OVERSEAS[2]	40,361	37,622	+7.28	214,874	212,502	+1.12
	TOTAL[2]	**132,625**	**123,637**	**+7.27**	**724,829**	**706,386**	**+2.61**
Marines	CONUS	28,626	27,985	+2.29	163,780	162,377	+0.86
	OVERSEAS	4,786	4,383	+9.19	28,318	28,692	-1.30
	TOTAL	**33,412**	**32,368**	**+3.23**	**192,098**	**191,069**	**+0.54**
Coast Guard	CONUS[3]	6,504	6,314	+3.01	36,302	35,224	+3.06
	OVERSEAS[3]	815	861	-5.34	4,531	4,803	-5.66
	TOTAL[3]	**7,319**	**7,175**	**+2.01**	**40,833**	**40,027**	**+2.01**
Mail Order	CONUS[4]	1,005	965	+4.15	7,866	7,193	+9.36
	OVERSEAS[4]	3,740	3,743	-0.08	23,699	23,297	-1.73
	TOTAL[4]	**4,745**	**4,708**	**+0.79**	**31,565**	**30,490**	**+3.53**
All Exchanges	CONUS	377,428	363,455	+3.84	2,077,698	2,027,748	+2.46
	OVERSEAS	209,073	202,923	+3.03	1,200,180	1,183,350	+1.42
	TOTAL	**$586,501**	**$566,378**	**+3.55**	**$3,277,878**	**$3,211,098**	**+2.08**
Department Stores	U.S.[1]	**$10.591 bil.**	**$9.254 bil.**	**+14.45**	**$54.748 bil.**	**$48.471 bil.**	**+12.95**

[1] SOURCE: U.S. Department of Commerce. [2] Does not include sales of ships stores. [3] MM estimate, based on official data. [4] Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.